

# FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

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Tuesday March 5 1985

D 8523 B

Moscow's problems  
on arms  
control, Page 19

## World news

## Business summary

### Guerrilla chief dies in Lebanon explosion

A bomb killed 12 people including the guerrilla chief of the Shias, Mouassat, when it exploded at a religious centre in the southern Lebanese village of Maarakeh.

The guerrilla leader, Mohammed Saad, was among many people buried in the rubble of the building. Maarakeh had been a centre of guerrilla activity in the area.

### Iraq attacks N-plant

Iraqi aircraft attacked an unfinished Iranian nuclear plant and steel plant, killing at least 11 people. An exact missile was used in the attack on the nuclear plant at Bushehr, in the northern Gulf region.

### Polish price rises

Polish food prices rose for the first time in 13 months. The effect of higher prices for bread, tea, rice and some dairy products was partly offset by higher old age pensions and income supplements for almost 11m people. Page 2

### Danes strike

More than 4,000 people walked off their jobs across Denmark as shop stewards organised demonstrations to press demands for a 35-hour week being made in deadlocked general wage agreement negotiations. Page 3

### Air crew released

Ethiopian rebels released 11 Ethiopian air force crewmen, seized with their aircraft, carrying cargo, since while on a famine relief mission near the northern town of Lalibela.

### China-Soviet talks

A Chinese parliamentary delegation welcomed a renewed dialogue with the Soviet parliament after a break of 20 years, calling it an important step in their relations.

### Ulster action call

The Northern Ireland Assembly, recalled for an emergency debate on security, passed a resolution calling for a "relentless offensive" by the Royal Ulster Constabulary and the army against the IRA and other terrorists.

### Sandinistas slammed

President Reagan said Nicaragua's left-wing regime was not a government but a faction of the revolution against dictator Anastasio Somoza in 1979. In Paris pro-Sandinista protesters occupied the American Express office.

### Pretoria pay cut

South African President P. W. Botha announced a 3 per cent pay cut for himself, ministers and parliament in an austerity drive. Page 4

### Alfonso reshuffle

Argentine President Raul Alfonsín reshuffled his army high command apparently to ensure military discipline in a crucial political year.

### Chile earthquake

The toll from Sunday night's earthquake in central Chile rose to 124 people dead and nearly 2,000 injured. Another 8,000 people are homeless in the country's worst natural disaster for 15 years.

### Oslo spy claims

Arne Treholt, the former Norwegian diplomat and junior minister, had classified documents in his briefcase when he was arrested at Oslo airport, a court was told during his trial for alleged espionage.

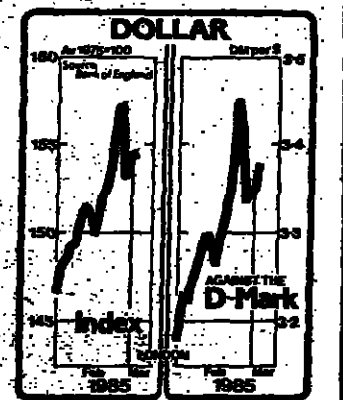
### Indian violence

Two people were killed during political violence in India's southern state of Andhra Pradesh on the eve of local assembly elections.

### Earnings at Royal Insurance fall 88%

ROYAL INSURANCE, Britain's largest composite group, reported a pre-tax profit of £11.5m (£12m) in 1984 against £98.4m in 1983, an 88 per cent fall. Worldwide underwriting losses - especially bad in North America - rose from £209.8m to £247.4m. Page 24; Lex, Page 20

WALL STREET: The Dow Jones industrial average closed 9.83 down at 1,289.53. Section III  
TOKYO: The Nikkei-Dow market average hit a new high, up 89.35 at 12,509.01. Section III  
LONDON: Collapse of miners' strike had little impact. The FT Ordinary index gained 4.9 at 979.8. Gilt edged. Section III



STERLING was weaker against the dollar in London, losing 40 points to close at \$1.0685. It was unchanged at DM 3.6, FFf 11.025 and Sfrf 5.885 but fell to Y271.0 (Y290.0). The pound's exchange index rose 0.1 to 70.8. Page 29

GOLD rose \$1.25 on the London bullion market to close at \$388.50. It also improved in Zurich to \$388.75. In New York the Comex April settlement was \$391.90. Page 38

WEST GERMAN unemployment fell last month to slightly less than 10.5 per cent of the workforce. However, it remains at the highest February level in the history of the Federal Republic. Page 3

FEDERAL RESERVE chairman Paul Volcker said an oil import tax was "among the least harmful" ways to raise revenues and cut the U.S. budget deficit, but it remained a last resort.

KLUCKNER-Humboldt-Deutz, the Cologne-based diesel engine producer, expects turnover to fall this year after a 22 per cent rise to DM 4.8bn in 1984. Page 22

SOCIÉTÉ Générale de Banque, the largest Belgian commercial bank, intends to launch a one-for-five rights issue after forecasting net profits for 1984 of FFf 2.8bn (\$40.74m), unchanged from 1983. Page 22

LANCIA, the Fiat subsidiary, is expected to make a profit this year and sell more than 200,000 cars. Page 22

COMPAGNIE Financière de Suez, the French state-owned holding company, may take a stake in Roussel-Uclaf, the French pharmaceuticals group which is 54.5 per cent owned by Hoechst of West Germany. Page 22

UPI, the world's largest news agency, is seeking fresh outside capital for the company and at the same time has announced the termination of the president and financial consultant's contracts. Page 21

PHARMACIA, the Swedish pharmaceuticals and biotechnology group, increased 1984 profits by 24 per cent to SKr 837m (\$86.8m) in line with the company's forecast. Page 22

TAIWAN has assumed control of Cathay Investment and Trust Company, one of a number of groups affected by financial irregularities and defaults by affiliates. Page 23

BROTHER INDUSTRIES of Japan is to set up a European typewriter plant in the UK. Page 8

## Moscow warns Bonn on 'star wars' involvement

BY PATRICK COCKBURN IN MOSCOW

HERR Hans-Dietrich Genscher, the West German Foreign Minister, was given a pointed Soviet warning in Moscow yesterday that German participation in U.S. research into space weapons would torpedo "the whole process of limitation and reduction of nuclear weapons."

This latest reminder of the Soviet Union's concern to bring the U.S. "star wars" research programme to a halt was delivered by Mr Andrei Gromyko, the Soviet Foreign Minister, during three hours of apparently inconclusive talks with Herr Genscher.

Although officials with the German minister said the speedily arranged visit could open a new chapter in East-West relations, a report

of the talks carried by Tass, the official Soviet news agency, suggested Soviet irritation at the absence of any substantive proposals from the German side.

Mr Genscher said afterwards he had underlined Bonn's concern for a successful outcome to the disarmament talks between the U.S. and the Soviet Union.

A prime Soviet target in the negotiations is to secure the abandonment of U.S. research into space weapons. Mr Gromyko's reported warning underlines Moscow's concern that some Nato members, including West Germany and Britain, are seeking a share of contracts, which would involve them in the research effort.

West German participation, said Mr Gromyko, would "actually make it an accomplice in the violation of the treaty on anti-ballistic missile defence, thus torpedoing the whole process of limitation and reduction of nuclear weapons."

The veteran Soviet minister added that Bonn could help the talks in Geneva by ending the deployment of U.S. medium range missiles on West German territory.

Mr Genscher's contribution to the talks was described by Tass as being "in general terms." The Soviet news agency said he tried to describe the U.S. decision to deploy weapons in space "in a distorted light."

At a press conference the West German Foreign Minister did not explain why his trip to Moscow was hurriedly arranged last week.

In view of the apparent lack of substance in yesterday's talks Western diplomats suggested a motive for Herr Genscher's sudden visit was to strengthen his Free Democrat Party (FDP) in next Sunday's elections in West Berlin and the Saarland.

Herr Genscher said his trip to Moscow would mark an improvement in relations between the Soviet Union and Bonn which have been cool since the defeat of the Social Democratic Party in 1983.

Last week the Soviet Foreign Ministry described West Germany as a stalking horse for President Ronald Reagan in an attempt to win acceptance of the "star wars" programme in Western Europe.

Moscow has also claimed that West Germany does not accept its post-war boundaries. In addition the Soviet celebration this year of its 40th anniversary of its victory in 1945 has fuelled charges of revanchism against Bonn.

Herr Genscher said, however, that he had stressed to Mr Gromyko West Germany's commitment to present political boundaries and its desire for better relations.

Bonn back in game, Page 3; Reagan presses MX case, Page 5; Feature, Page 19

THE ANZUS defence pact between the U.S., Australia and New Zealand was further downgraded yesterday when Australia announced that the "organisation's" council meeting, due to take place in Canberra in July, had been postponed indefinitely.

Mr Bob Hawke, the Australian Prime Minister, said that following New Zealand's ban on the visit of nuclear ships to its ports, much of the Anzus treaty was no longer "operative."

A U.S. State Department official in Washington said that it would not be "productive" to hold a ministerial meeting of the pact in present circumstances.

The U.S. was still reviewing operational aspects of its security relations with New Zealand, the official said. However, the framework of the Anzus alliance was still in place and U.S. defence co-operation with Australia would be "unhindered" by Washington's dispute with New Zealand.

In London, where he had been having talks with Mrs Margaret Thatcher, the British Prime Minister, Mr David Lange, the New Zealand Premier, said he regretted the postponement of the next Anzus Council. "Our discussions with the U.S. last week confirmed that they, like us, saw no need for a decision to be taken yet," Mr Lange said.

The important point about a long-standing alliance is that the members must be able to talk about their differences. Postponing the July meeting does nothing to help this.

The alliance would, nevertheless, continue because all three partners were determined that it must, Mr Lange said. No one held this view more firmly than New Zealand.

Mr Hawke also confirmed in an earlier statement on the postponement that the Anzus treaty remained in being and that this matter was not in dispute between any of the three partners.

The Australian Government's main responsibility was to protect its national security interests, and this would be done through bilateral channels with both the U.S. and New Zealand as long as the present situation lasted.

The postponement was announced as Australian anti-nuclear groups mounted one of their largest demonstrations to protest against a visit by two U.S. warships, presumed to be capable of carrying nuclear weapons.

New Zealand dollar declines, Page 4

Continued on Page 20

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EUROPEAN NEWS

Union takes harsh line on Polish food prices

By Christopher Bobinski in Warsaw

THE FIRST of this year's food price rises was introduced yesterday in Poland to the accompaniment of rumblings of discontent but little else in the way of protest.

Officials at the new metalworkers' union, which claims a membership of 367,000 or 40 per cent of the workforce in more than 500 factories, said they had received messages from local organisations protesting about the rises.

Leaders of the new unions set up to replace Solidarity are expected to meet General Wojciech Jaruzelski, the Polish leader to discuss the price issue.

The unions, which say they have some 5m members have criticised the price strategy, as has Solidarity but, by and large, the Government is in the process of introducing much of what it urgently planned.

The metalworkers appear to be the most militant of the new unions, and their statement opposing the new prices has been harried by government censors from appearing in the official Press.

Drawn up in the middle of last month, their statement called for "legal protests by our constituent organisations against the planned rises, then the federation will support them, taking the whole weight of the struggle on its own shoulders."

Union officials stress that they are not contemplating strike action but that they have already published "draft instructions in the event of collective conflicts" and are considering mass meetings, demonstrations and other forms of protest, should the need arise to make their point.

The statement says that 95 per cent of members of the union are against the rises, as "they did not believe the increases would resolve the country's problems." Rising prices, it says in an implicit attack on the Government, "are the result of inadequate political and economic policies, a lack of determination and deviation from the principles of Socialist economics."

Paul Betts reports from Grenoble on the intense heat being generated by forthcoming cantonal polls

Parties turn Isère elections into a national test

It is not just the balmy weather which is melting the snow on the Alps towering over the city of Grenoble. As the deadline for the French cantonal or district elections approaches—the first ballot is on Sunday and the second the week after—the local campaign in the surrounding department of Isère has assumed the heat of a full-blown national poll.

In the small rural community of Montalieu, two Right-wing senators, the mayor of Grenoble, a rising Right-wing political star, and other personalities were addressing a town hall packed with bemused locals while across the square the old men preferred to continue their card game in the Hotel du Commerce.

Nearby, M Louis Mermaz, the Socialist President of the National Assembly in Paris, who is also the head of the district council of Isère was offering a free buffet for his supporters. The week before, M Raymond Barre, the former prime Minister, and M Jacques Toubon, the new secretary general of the neo-Gaullist RPR opposition party, were also in the area.

As many as 14 Government ministers, M Laurent Fabius, the Prime Minister, and President Mitterrand himself have all campaigned in the department which stretches between the Rhone and the Alps.

Far more than in any previous cantonal elections, the main French political parties of the Right and Left have turned the polls into a national test. They are regarded as a pre-run of next year's general elections and their results will represent a vote of confidence or otherwise in the Government. The Right hopes to confirm its

strong recovery in the municipal elections of 1983, followed by the successes in the Senate elections and last year's European polls. The Socialists are hoping to see tangible signs of a pick-up of their falling popularity while the Communists, now out of the governing coalition, are desperately trying to halt what is becoming an alarming decline.

The stakes are particularly high in Isère. The battle involves the presidency of the local district council, held by M Mermaz for the past nine years. As president of the National Assembly, M Mermaz, in terms of his office, is the country's third most senior public figure after President Mitterrand and the Prime Minister. Moreover, he has always been a close friend and one of the most faithful supporters of the President.

Although M Mermaz's own seat on the district council is not up for renewal this year, he will lose the presidency of the council if the Left loses the majority. "The socialists clearly feel they cannot afford to see Mermaz lose the presidency of the local council. His defeat would be regarded as a personal defeat for Mitterrand," explained a producer at a local radio station.

"The impressive procession of Socialist Ministers who have come to lend their support to M Mermaz shows how capital the Government regards this election. In the past it was always the Right which was accused of bringing out ministers from Paris to support local candidates. The Socialists have done pretty well this time in Isère," he added.

The Socialists are also suffering from what has become known as the "Grenoble com-

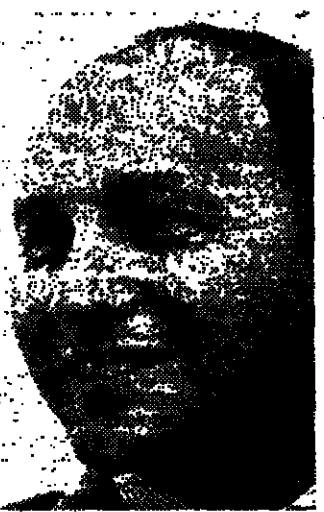


M Mitterrand and M Fabius... two of 14 government figures

plex." Grenoble and the surrounding district have traditionally been a bastion of the Left. However, Grenoble caused the biggest upset of the 1983 municipal elections when M Hubert Dubedout, the Socialist mayor for 18 years who was regarded as one of France's leading urban reformers, was defeated in the first round by M Alain Carignon, the young RPR candidate.

The swing to the Right was subsequently confirmed in the Senate elections and the European polls. With the prospect of another electoral disaster in the cantonal polls, M Mermaz started campaigning ferociously as early as last July. "I'm going to have to fight as if I were trying to conquer the local council," he said at the time.

No effort or expense have



been spared for M Mermaz. M Claude Marti, the image maker of President Mitterrand and M Michel Rocard, the Agriculture Minister who is still regarded as the most popular Socialist in France, was called in to spruce up the look of M Mermaz. The President of the National Assembly has never been a charismatic figure. With his glasses and sober clothes, he looks exactly what he was before raising up the political ladder—a history teacher.

M Mermaz has orchestrated an American-type campaign for these local elections with television spots, posters, and meetings all over the district. With the slogan "L'Isère en tête" (Isère in the lead), M Mermaz has sought to make capital from his personal relationship with President Mitterrand and the

advantage of his influence in Paris for the area. When asked why so many Ministers have come to Isère in recent weeks, he replies he cannot help it if all his friends tend to be influential Socialists.

M Mermaz has certainly been delivering the goods as the election has been nearing. He recently inaugurated the new Paris-Grenoble high speed train link. Grenoble was recently chosen, after a major battle with Strasbourg, as the site of the 100km European X-ray synchrotron research centre.

After years of delay, the green light has been finally given for the construction of a motorway between Valence and Grenoble. M Mermaz will also benefit from the recent decision to add seven new cantons to the department. This has led to howls of protest from the Right, led by the local Dauphiné Libéré newspaper, owned by M Robert Hersant, the Right-wing Press baron, since 1983.

The newspaper has accused the Socialists of trying "to fix" the elections to save M Mermaz's seat. In contrast to the Socialists, the Right has preferred to launch a grass-roots campaign. In the 1983 municipal elections, the Right had organised a high profile media campaign like the Socialists today. This time, M Carignon says "we prefer to spend on petrol rather than on publicity."

M Carignon and other Right-wing leaders have been knocking on as many doors as possible to win votes and maintain the momentum which followed the shock defeat of the Left in the 1983 municipal elections. But the problem for M Carignon and the RPR Party is that the centrist UDF is strong in the rural areas.

Although the RPR and UDF have linked forces in the campaign, the popularity of M Raymond Barre in this part of the world has added to the problems of the Right.

The former Prime Minister has distanced himself on many key national issues from M Jacques Chirac, the head of the RPR, and former president Valéry Giscard d'Estaing, the two other Right-wing candidates with M Barre for the 1988 presidential elections.

The position of M Barre, and his popularity, have proved embarrassing for both the RPR and the UDF. Indeed, the success in which the traditional Right wing opposition parties can put together a united front will probably be a determining factor in the general elections in Isère the two parties have fused the issue for the current cantonal elections. Many RPR candidates sound like close supporters of M Barre when they speak in the rural communities. The purpose of these elections, after all, is to beat M Mermaz and "démémoriser" the district, as M Carignon puts it.

The National Front is not expected to have a major impact in Isère in the same way as it is expected to have in other parts of the country. As for the Communists, the elections are likely to confirm their decline.

But if the Right seemed set to topple M Mermaz six months ago, the Socialists have mounted an impressive comeback. "I would not like to bet on the result any more," said a local political journalist, "especially after the recent recovery in the opinion polls of President Mitterrand and M Fabius." Indeed, M Fabius,

Craxi puts views on Star Wars to Reagan

By James Buxton in Rome

SIG BETTINO CRAXI, the Italian Prime Minister, arrived in New York yesterday at the start of a visit during which he will be conveying directly to the U.S. Administration the Italian Government's attitude to President Ronald Reagan's Star Wars programme.

Like Mrs Margaret Thatcher, the British Prime Minister, Sig Craxi is not opposed to research on the Strategic Defence Initiative, as it is officially known. But he is anxious that the programme should not jeopardise the arms negotiations between the U.S. and the Soviet Union which begin in Geneva later this month.

There have been conflicting signals from the Italian Government. The Prime Minister's office, as to whether or not Italy believes that the Star Wars programme should be negotiable with Moscow. In an interview with the New York Times, Sig Craxi said it should be so, but this statement was later qualified by his staff. The U.S. Government, for its part, has shown little willingness to make Star Wars negotiable.

Last week the Italian Government came under strong pressure from Mr Andrei Gromyko, the Soviet Foreign Minister, to declare its opposition to Star Wars.

During his U.S. visit, Sig Craxi will naturally be voicing Italy's alarm about the strength of the dollar, which it believes will make attempts to stop inflation rising again this year, even more difficult.

The Prime Minister is due to meet President Reagan at the White House today. On Wednesday, he will be following in Mrs Thatcher's footsteps by addressing both houses of Congress, the first time an Italian Premier has ever done so. His visit to the U.S. also includes meetings with prominent U.S. and Italo-American people in New York.

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Pay-TV channel asks Government for financial aid to meet losses

By DAVID MARSH IN PARIS

CANAL PLUS, the commercial French pay-TV channel launched at the end of last year, has asked the Government to contribute several hundred million francs out of an anticipated financing need of FFr 500m (£45m) to plug heavy losses this year.

The venture, which is 42 per cent owned by Havas, the state-controlled media and advertising conglomerate, blames a recent sharp reduction in subscriptions largely on the

announcement by President François Mitterrand in January paving the way for competing private television networks from next year.

In a sign of the disarray in the French television world caused by M Mitterrand's announcement, M Andre Rousselet, the chairman of Canal Plus and Havas, made the request for extra state funds in a letter to M Pierre Berégovoy, the Finance Minister.

Extracts from the letter,

which also asks for easier conditions on advertising and programming rules to bring the channel into financial equilibrium, were published yesterday by the weekly magazine Le Point.

M Rousselet, who is a long-time friend of M Mitterrand, says that "uncertainty about introduction of private TV is likely to increase losses by FFr 350m for 1985 and 1986. This is on top of an anticipated

operating deficit for the start-up period of 1984-85 already estimated at FFr 445m.

Other shareholders in Canal Plus, which includes nationalised banks and insurance companies as well as private sector companies, will not put up extra cash unless the Government makes an important contribution, he adds.

M Rousselet claims that TV viewers' anticipation of widespread free private television

next year has been the main reason for subscriptions falling from 3,000 a day to 3,000 a week. Subscriptions total 265,000, a figure which Canal Plus says it needs to boost to 670,000 a year by the end of 1985 to break even.

In order to improve its finances, Canal Plus has already negotiated with the cinema industry more favourable terms for showing films, and aims to boost revenues by turning to direct advertising spots to back

up fees for programme sponsoring by big companies.

The financial crisis at Canal Plus will clearly place additional question marks over the economic feasibility of setting up private TV networks along the lines promised by M Mitterrand. The prospect of private TV has also greatly complicated the negotiations between France and Luxembourg over the conditions for starting direct broadcasting by satellite from the TDF-1 spacecraft next year.

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## Small reduction in number of German jobless

BY RUPERT CORNWELL IN BONN

UNEMPLOYMENT in West Germany showed a slight fall last month, to the relief of the Bonn Government. But the number of jobless, equal to 10.5 per cent of the total workforce, remains the highest figure for a February in the history of the Federal Republic.

According to the Federal Statistics Office in Nuremberg, 2.61m people were without jobs last month, over 8,000 fewer than in January. The tiny reduction has been achieved despite a continuation of the very cold weather, affecting in particular the building industry throughout much of February.

The slightly improved trend was also evident in the figures for notified vacancies, up by 13,800 to 101,000 and in a drop of 33,500 in the number of those on short time down to 432,000.

However, although the peak of the seasonal winter surge in unem-

ployment now seems past, observers are still unconvinced that the centre-right coalition's forecast of a 100,000 reduction in average unemployment throughout 1985 can be achieved.

This is based on the assumptions that the economy will grow by between 2.5 and 3 per cent this year, and that little further scope exists for productivity increases alone to accommodate the expansion.

But it is still not clear whether the confidently predicted rise in investment will occur - nor whether German exports, currently the linchpin of growth, can maintain their momentum if the dollar should fall steeply against the DM.

Most forecasters estimate that on present trends, the 1985 trade surplus could rise to DM 80bn (\$12.2bn) or DM 85bn, from the 1984 level, itself a record, of DM 54bn.

## Sweden criticises UK for acid rain pollution

REYKJAVIK - Sweden's Prime Minister Olof Palme said yesterday that British industry was the cause of much of the pollution affecting the Nordic countries. He urged Scandinavia to increase pressure on Britain to act against "acid rain."

In a speech prepared for the 33rd annual session of the five-member Nordic Council, Mr Palme deplored Britain's refusal to join 20 European countries committed to cutting sulphur emissions by 30 per cent by 1993.

"The evidence that pollution is destroying our forests and land, our seas, lakes and rivers is overwhelming," Mr Palme said. He stopped short of repeating earlier charges that Britain was waging environmental war on its neighbours.

Last December, Sweden, Norway, Denmark, Iceland and Finland blamed Britain for lack of co-operation in international moves to reduce pollution.

In reply, Mrs Margaret Thatcher, Britain's Prime Minister, argued that Britain had cut emissions of sulphur dioxide by 40 per cent since 1970 and by more than 20 per cent since 1980.

But Swedish officials yesterday dismissed Mrs Thatcher's argu-

ment as spurious. Mr Palme said: "The British Government's negative response is completely unsatisfactory."

Britain has refused to join the "30 per cent Club" in Europe despite a parliamentary report urging it to do so. It says it would be prohibitively expensive to cut atmospheric pollution by this amount within eight years.

General elections are due this year in both Norway and Sweden and "acid rain" - blamed for the death of a growing number of lakes and forests in Scandinavia - has become a major campaign issue. All parties are committed to fighting pollution.

The Swedish Government last month proposed to make it compulsory to fit catalytic converters on new cars after 1989 and said all petrol pumps would be selling lead-free petrol by 1987 in a further move to reduce pollution.

Mr Palme yesterday told the council - a consultative body which acts as a kind of Nordic parliament - that the overwhelming majority of people in Europe supported moves to cut pollution and it was time to put renewed pressure on Britain over the issue. *Reuter*

## Consumer prices up 0.6% in EEC

BRUSSELS - Consumer prices in the EEC rose 0.6 per cent in January from December, according to the Community's statistical agency, Eurostat.

That gives a year-to-year inflation rate of 5.5 per cent, the agency said. The year-to-year rate is unchanged from December and higher than the inflation rates for the Community's main trading partners. The U.S. inflation rate on an annual basis was 3.5 per cent in January, while Japan had an inflation rate of 3.3 per cent, Eurostat said.

The EEC consumer price index, which uses a basis period of 1980 = 100, was at 144.7 in January, up from 143.8 in December and up from 137.1 in January 1984.

Greece and Italy had steep price increases of 2.5 per cent and 1 per cent respectively during the month. Only the Netherlands reported a price decline of 0.2 per cent in January, partly because of winter sales, Eurostat said.

Prices rose 0.6 per cent in West Germany and Belgium, 0.5 per cent in France and Denmark, 0.4 per cent in the UK and 0.3 per cent in Luxembourg.

Figures are not available for Ireland because they are reported on a quarterly basis.

AP-DJ

## Turkey seeks clarification

TURKEY will send Bulgaria another diplomatic note seeking more information on the Communist state's alleged harassment of its ethnic Turkish minority, foreign ministry officials said yesterday, reports Reuter from Ankara.

The Turkish Government said it has evidence that ethnic Turks are being forced to drop their Muslim religion and take Bulgarian names. But it has not confirmed news reports, vigorously denied by Bulgaria, that up to 500 have been killed resisting the changes.

The new note follows an earlier exchange between the two countries. Turkey's Prime Minister Turgut Ozal said the first note from Ankara had urged a joint agreement to allow members of the minority to emigrate. *Reuter*

GENSCHER ON LIGHTNING EAST BLOC TOUR

## Bonn back in game after wait on sidelines

BY RUPERT CORNWELL IN BONN

THE EXACT motives for the current lightning visit of Herr Hans-Dietrich Genscher to Moscow, Warsaw and Sofia may be as complex as the whole intricate tapestry of his country's relations with the Eastern bloc. But the trip has unquestionably proved one thing: that not all diplomatic surprises need be nasty.

Early last November 21, Bonn awoke aghast to the news that a studiously planned and much argued over journey by Herr Genscher to Poland had been called off at a few hours notice, with some would-be participants already at the airport.

That fiasco - the consequence in roughly equal proportions of internal tension in Poland and West German insensitivity to history - marked the nadir of a wretched autumn for West German Ostpolitik.

Herr Erich Honecker, the East German leader, had in September finally buckled under massive Soviet pressure and called off what would have been a historic visit to West Germany.

Shortly afterwards and for reasons which are not clear, the visit was postponed.

THE FRENCH government has taken another step to boost the commercial use of the European currency unit by allowing the foreign exchange markets for imports invoiced in European Currency Units.

The measure is a fresh modest relaxation of stringent controls at a time when the franc has been holding up firmly against European currencies.

Forward purchases by companies of currencies needed to cover import needs have been forbidden since 1981. The ban will remain in force for all currencies except the Ecu, but the Finance Ministry has been treating more flexibly regulations over forward purchases, allowing such transactions to be carried out for instance by large nationalised groups on a controlled basis.



Herr Genscher (left) and Mr Andrei Gromyko prior to talks

All that remained was a less than productive visit from Mr Nicolae Ceausescu of Romania - whose idiosyncratic behaviour is hardly the most reliable barometer of the East-West temperature - and an unrelenting propaganda barrage from Moscow, Warsaw and even East Berlin directed at the alleged rebirth of militarism and "revanchism" in West Germany; in other words that Bonn was seeking to regain territories of the old Reich lost in the Second World War.

Mr Mikhail Gorbachev, a senior Soviet politburo member, spent an ostentatious week in Britain, Mr Andrei Gromyko, the Foreign Minister, visited southern Europe in his crusade against the U.S. Star Wars Strategic Defence Initiative (SDI). West Germany, until recently so important a conduit in Moscow's dealings with the West, appeared ignored.

deliberately frozen out on the sidelines as the superpowers settle down to difficult arms control negotiations next week in Geneva.

But now, abruptly, the worse phase of the "punishment" seems over. Certainly, the latest travels of the ubiquitous Herr Genscher cannot make up for the disappointments of last autumn. Cynically, it could be claimed that not for the first time the resilient, stubbornly confusing motion with achievement. However, to their relief, the West Germans have again at least one foot back in the game. But why?

One reason, undoubtedly, was the unqualified pledge last week by Chancellor Helmut Kohl that Bonn had no territorial claims against any of its Eastern neighbours, and that, over the German question, it contemplated no "rebellion against history." Another may well be Soviet desire to fan the widespread misgivings here (not confined to the Left) over the wisdom of Star Wars.

Western diplomats have long accepted that, in its campaign against a space-based U.S. nuclear defence system, Moscow would seek to drive wedges

between Washington and its main allies. West Germany, one part of a divided nation, and the uneasy and largest recipient of new cruise and Pershing 2 missiles was and is the most obvious and tempting target for such efforts.

Politicians here have already noted with alarm the insistence by Moscow that only a package deal in Geneva will do: that is that without U.S. concessions on Star Wars, Moscow will give no ground on the issue - closer in every sense to German hearts - of reducing the intermediate weapons balance in Europe. Such considerations will not have been permitted to escape Herr Genscher in Moscow.

He, in turn, can be relied upon to have emphasised that such tactics will not work. But Herr Genscher will have made other points of his own as well: that the dreaded SDI has not yet even entered the research phase, and that angry rhetoric between the two superpowers should not be allowed to jeopardise the special interest of Europe. East as well as West, that real advances emerge from the forthcoming bargaining in Geneva.

MX missile, Page 5

## France eases forward currency buying

By David Marsh in Paris

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## Warsaw Pact at odds over how long to extend security treaty

BY DAVID BUCHAN, EAST EUROPE CORRESPONDENT

A SENIOR Hungarian diplomat has hinted publicly that, though the seven members of the Warsaw Pact have agreed in principle that the Soviet bloc security treaty should be renewed this year "for a further period," there is some dispute among them about the precise terms.

The Warsaw Treaty, signed in 1955 and renewed in 1975 for another 10 years, formally expires on May 14. A planned summit meeting in Sofia, ostensibly to discuss or confirm renewal of the Warsaw Pact, was abruptly cancelled at the last moment in January, apparently because President Konstantin Chernenko was too sick to attend.

In a Hungarian Press interview published last weekend, Mr Istvan Rosta, the Deputy Foreign Minister, said that

"direct preparation has already been started" for the treaty's extension. But this "did not preclude debates" inside the alliance, Mr Rosta said, warning that final agreement could be reached "only by taking into account mutual interests."

The chief point of dispute has apparently been over the length of the treaty's renewal, with maverick Romania wanting a five-year extension and the Soviet Union, presumably with its more loyal East European allies, seeking longer renewal of perhaps 10-15 years.

Extension of the treaty is likely to be accompanied with another offer to dissolve the Warsaw Pact if Nato does likewise. But this is unlikely to cause ructions among the Eastern allies, since this offer has been made several times over the years, most recently

in January 1983, and the Soviet Union could still retain security control over Eastern Europe through bilateral treaties.

The Warsaw Pact has undergone several changes in its 30-year history, particularly after the 1968 invasion of Czechoslovakia when the East Europeans were given a little more institutionalised say in at least conventional military policy.

Both East Germany and Czechoslovakia have been perturbed recently at the extra expense and anxiety of playing "host" to more Soviet missiles on their soil as a counter to Nato deployments of new U.S. missiles. But it seems unlikely that Moscow will want to "revamp" the Pact to share its decision-making monopoly with allies.

## Protests back pay claim in Denmark

By Hilary Barnes in Copenhagen

MORE THAN 4,000 workers demonstrated outside the offices of Denmark's Employers' association yesterday as part of an unofficial "day of action" in support of a 35-hour working week and more pay.

Strikes disrupted bus services, the shipyards, nursery schools and other public services.

A stoppage by 250,000 industrial workers had been scheduled to start yesterday but was postponed last week for 14 days by the official mediator in the negotiations between the LO union confederation and the employers' association for a new two-year collective wage agreement.

The leaders of yesterday's demonstrations and strikes, which did not have official union backing, said they wanted to underline union demands

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## OVERSEAS NEWS

Nora Boustany reports from Southern Lebanon

## Bomb blast kills eleven at Moslem religious centre

VIOLENCE and brutality reached new heights in southern Lebanon yesterday with the blowing up of a religious centre in the town of Maarak.

At least 11 people were killed and 45 wounded when a booby-trapped car packed with explosive and ball-bearings shattered the outside wall of a hussiniya, a Moslem centre where villagers were meeting representatives of the Shiite Amal movement which co-ordinates resistance against the Israeli occupation forces.

Mohammed Saad, the guerrilla chief of Amal was taken to a UN troop hospital but died of his injuries.

In Beirut, six shells slammed into the international airport forcing it to close for half an hour and prompting the suspension by KLM, the Dutch Airline of its flights to the Lebanese capital.

The car bomb in Maarak came less than 48 hours after Israeli troops pulled out of the town, which was the site of the largest raid against a south Lebanese village ever last Thursday. A force of 800 Israelis stormed the little farm-town bulldozing and blowing up three houses. Some 200 men were rounded up for questioning.

Driving down to Maarak on Sunday to report on the aftermath of the raid, Ms Julie Flint of the Guardian and I were turned back by Israeli soldiers at Maarak Frouin, 20 km east of Tyre.

Our journey back from what appeared to be an abortive mission provided us with an even closer and more gruesome look at the conduct of Israeli troops when faced with resistance activists.

We were eventually stopped on the outskirts of the township of Braqaa. Seven Israeli soldiers, directing their Energa-mounted submachine guns, motioned us to pull off the road. Ms Flint, her driver Mohammed and I were led into an unfinished cement farm hut and interrogated as to whether we had seen terrorists block the winding street leading to the

next village.

As we were chatting, a white car came down the hill. They ordered it to stop. Three young Lebanese men, who turned out to be Shiite Moslems, came out with their hands raised. They were asked for their birth dates, names and ages and kept in an adjacent open cubicle to ours. Only one hour later did Giddi, the unit's 18-year-old Israeli commander, stroll to their car to discover there were three Kalashnikov assault rifles in it.

THE Israeli army spokesman flatly denied yesterday that Israeli forces were involved in any way with the explosion at Maarak, reports our Tel Aviv correspondent. Military officials in Jerusalem said they believe the explosion was the result of a power struggle between Amal and the Shiite extremist Hizbollah group.

The Israeli soldiers reacted wildly to the revelation. Cursing in Arabic on using foul language, two of the soldiers tied the three men's hands behind their back and slapped them about shrieking, "bastards, bastards." One of the three guerrillas confessed they had one rocket in the boot of the car. "Or, the unit's medic, rushed back to the hut to discover there were also two landmines in the car in addition to the 'Kalashes'."

Two of the men, Yusef Abu Zeid and Hassan Sabra, who said they were 19, were dragged off to the car and kicked repeatedly in the groin, their lower backs and stomachs. Hassan fell over, while three Israeli soldiers went down on one knee with their sub-machineguns readied on their shoulders for firing, the two guerrillas were ordered to unfasten the lock of the trunk with their hands still tied behind their backs.

The two guerrillas were they approached, Or, the team's medic, noticing blood dripping down from Hassan's hands, because they were bound so tightly, bandaged his

bleeding wrists.

"Tell them, we are on a mission, just like them. It's not our fault," he urged me to translate. He told me their mission was to shoot down an Israeli plane.

As we looked up the hill, we saw a woman with a scarf on her head and child. She stopped, then disappeared over the top of the hill. The next thing we knew there were shots fired by Ari. Looking out of the hut, I saw a car on top of the hill. I saw women rush in and out in a flurry of activity and heard wailing from a distance. Ari, let out a yelp of joy and clapped his hands.

The cripple, hobbling on crutches, made it safely down the hill and was kept in the cubicle with the guerrillas. Suddenly, a woman falling her hands and beating her sides, ran barefoot down the hill screaming: "You killed him, you killed him. My only son. Why did you do it, why did we have to come from here?"

Hysterical, and incoherent with grief and rage, Nur Saadeq managed to tell me that her 11-year-old son, Hassan, had been shot in the forehead and was dead. Another daughter was wounded in the head. She threw herself on the grass and pounded her head on the ground, pleading with the Israelis to shoot her. "Why shall I stay alive, my only son, my only son, I have no other," she sobbed.

Giddi asked me if I could drive and told me to fetch the wounded. On reaching the car that was sprayed with bullets with the windshield shattered, we found no one.

Afraid to drive further in fear that the Israelis would shoot from the back, or that resistance fighters would attack from over the hill, I froze. "What shall we do Julie, if we move, they'll shoot us." Upon reaching the little boy some 30 yards away, Julie put up her hand to the Israelis. I drove forward, Hassan, with his brain spilling out and his head and front soaking with blood was apparently still breathing.

## Singapore economy grows by 8 per cent

By Chris Sherwell in Singapore

THE SINGAPORE economy showed real economic growth of 8.2 per cent in 1984, up 0.5 per cent in 1983 but less than earlier estimates after a sharper-than-expected slowdown in the last two quarters.

This was revealed yesterday in the Government's annual economic survey, published ahead of Friday's long-awaited budget. It attributed the trend principally to the expansion and subsequent slowdown of the US economy.

Officials are meanwhile repeating warnings that gross domestic product can be expected to grow only 5 to 7 per cent in 1985, provided there is no recession in the U.S. and Europe.

The survey reports that "indigenous per capita gross national product" — measuring income earned by Singaporeans and excluding foreigners — rose to \$812.353 in 1984 (\$5,084 at current exchange rates). This was about 6.7 per cent higher than in 1983 in real terms.

Another significant feature of the survey is the slowdown of investment growth, from 8 per cent to 6 per cent, caused by a slackening in the pace of public sector investment, which grew only 7 per cent after 22 per cent in 1983.

The public housing programme and the Government's metro project, however, meant that the fastest expanding sector in 1984 remained construction, at 14.2 per cent, well down on 1983's 28.7 per cent.

Manufacturing growth improved sharply to 8.8 per cent (2.1 per cent in 1983), led by U.S. demand for electrical and electronic goods, especially for the computer industry.

Expansion of the financial and business services sector, which turned out to be a major contributor to overall growth, actually weakened from 12.8 per cent to 10.5 per cent.

Alain Cass and Mohammed Aftab on Pakistan's election aftermath

## Zia moves to consolidate power

PRESIDENT Zia ul-Haq, Pakistan's gentleman autocrat, has never been a man to take unnecessary risks.

Having given his country a very limited dose of democracy in non-party national and provincial elections last week, he moved swiftly at the week-end to enhance his own already great powers through a series of sweeping, if dubious, constitutional changes.

The elections, first for 207 seats in the previously hand-picked Consultative Assembly and, later in the week, for the four provincial legislatures, gave the President a distinctly mixed message.

The good news for President Zia, who has ruled Pakistan since seizing power in a coup in 1977, was that more than 50 per cent of the electorate turned out to vote, ignoring a boycott call by the country's banned political parties.

The turn-out, substantially higher than the 40 per cent predicted by the Government, helped to make the exercise internationally respectable, a vital factor in Gen Zia's attempts to maintain the flow of foreign economic and military aid to Pakistan.

The fact that so many Pakistanis turned out to vote, despite the non-political nature of the elections (no rallies, no processions and no manifestoes) was also an indication that Gen Zia is making headway in his attempts to wean the voter away from national and inter-

national issues and towards either local or religious ones, leaving the real power to his regime.

The bad news for the general was that a number of his top ministers were defeated. The only pro-government party to stand as individuals — the Jamaat Islami — although they lost, was right-wing, zealously Islamic and pro-Zia, as was the Government.

A close analysis of the results suggests that, while most candidates won or lost on purely local issues, it was Gen Zia's most vocal supporters who were defeated.

Others succumbed to voter frustration at Government inefficiency. In a nation bedevilled by perpetual shortages of electricity, for example, a virtually unknown candidate with an electric light bulb as his symbol crushed the unfortunate Minister for Internal Trade.

With more than half the contested seats in the new assembly having changed hands, therefore, President Zia was apparently taking no chances that his limited concession to democracy would backfire.

The pre-emptive constitutional changes announced at the weekend included the appointment of a supreme National Security Council dominated by himself and his fellow

generals, powers to appoint and dismiss the Prime Minister, select his cabinet and provincial chief ministers, powers to dissolve parliament and send legislation back for reconsideration. Above all, under the new measures, the President's decisions cannot be questioned.

Commented one western diplomat: "The constitution has been personalised by Zia."

Critics of this latest move point out that the new parliament will not be able to vote on these fundamental changes. President Zia counters by saying that the referendum on his measures to introduce Islamic reform last December was, in reality, a vote of confidence in his rule and that the new measures are, therefore, legitimate.

He is now expected to ask the new assembly to ratify him as President for another five years during which time he may shed his military uniform and become a "civilian" head of state.

His critics, however, scoff at President Zia's promises to return Pakistan to civilian rule and lift martial law. They also severely contest the legitimacy of his powers claiming, among other things, that last December's poll was rigged.

Air Marshal Asghar Khan, former commander-in-chief of the Pakistan Air Force, who now heads the opposition Tehreek-e-Jadida Party (TJP), said: "Zia has pulled down the entire parliamentary edifice

built by the 1973 constitution which will weaken Pakistan's federal structure. The new situation is a modified version of martial law, which is why the opposition will resist this illegal and unlawful government." He added: "Zia derives his powers from the December 1979 referendum which was a farce."

Despite this criticism, President Zia seems under no immediate threat. The bulk of the leadership of the 11-party opposition Movement for the Restoration of Democracy is either under arrest or in exile. The high turnout at last week's poll have further weakened its standing in the country. As one observer pointed out: "If they thought their candidates could win why didn't they stand?"

The army remains solidly behind the President. The economy, weak though it is, has not served President Zia badly. Good cotton and wheat harvests, a tolerable 20 per cent inflation rate, \$30n in work-out remittances from abroad and a real growth rate of about 6 per cent in 1984 have helped to sweeten some of his harsher measures.

The prospects for his continued success will depend largely on his ability to hold the lid on the opposition while inching towards a form of guided democracy which nevertheless leaves ultimate power in his hands and those of his army colleagues.

## Marcos sacks foreign minister

Philippine President Ferdinand Marcos yesterday fired Mr Arturo Tolentino, his Foreign Affairs Minister, following a dispute over appointments to the diplomatic service, reports Samuel Senoran from Manila.

Mr Tolentino's brush with Mr Marcos is the latest in a long-running feud over party positions. He had been critical of Mr Marcos's exercise of emergency powers.

## NZ dollar declines on first day of free float

BY DAI HAYWARD IN WELLINGTON AND PHILIP STEVENS IN LONDON

DEALING on the foreign exchange market here was fairly quiet yesterday as brokers nervously watched the performance of the New Zealand dollar floating free for the first time ever.

As predicted, the New Zealand dollar fell against most currencies — closing at U.S.\$0.43 from its opening level of nearly \$0.45 — but volume was relatively low and dealers said no particular trends were established.

In London, the New Zealand dollar was initially marketed down to U.S.\$0.43 in what dealers called a largely defensive move. But in quiet trading during the day it drifted upwards to close at U.S.\$0.4340.

Dealers stressed, however, that with spreads between buy and sell prices at 40 basis points the New Zealand currency had still to stabilise fully.

Again the pound sterling, the New Zealand dollar rose from an opening NZ\$23.50 to the pound to NZ\$24.60 at the close. The decision to float the New Zealand currency was being seen here as the logical conclusion to a series of monetary and fiscal decisions taken since the Labour Government took office last July.

It immediately devalued the dollar by 20 per cent, which was moves including the ending of

foreign exchange controls and the lifting of restrictions on interest rates.

Dealers said yesterday that they expected the market to be volatile for the next two or three weeks, but Mr Roger Douglas, the Finance Minister, again emphasised that the Government had no intention of interfering with the free float. The dollar was not vulnerable, he said, and the float was not a risk.

Some dealers and bankers yesterday predicted that the dollar would firm within a few days as there could be a shortage of New Zealand dollars when exporters who have been holding funds overseas in expectation of a float move to bring them home.

The New Zealand reserve bank is holding NZ\$ 2.2bn (£902m) in various currencies, and, while it will be reluctant to enter the market, it could do so to sort out bumps over the next few days.

Mr David Lange, who was visiting London at the time of the decision to float the currency, said that he was "absolutely determined that never again will New Zealand be a fiscal hostage to a situation where currency speculators can rely on the Government using taxpayers' reserves to provide a profit for them."

## Botha to take 3% cut in his salary

SOUTH AFRICAN president, Mr P. W. Botha, yesterday announced in parliament a symbolic 3 per cent cut in his salary and that of ministers and members of the tricameral assembly, Anthony Robinson writes from Johannesburg.

The move is seen as tacit acknowledgement of widespread criticism of the heavy cost of the new constitution which provides separate assemblies for Whites, Coloureds (mixed race) and Indians.

An explosion yesterday damaged the Kruonstad offices of the ruling National Party, but no one was hurt.

Kr—constad, in the Orange Free State province, lies near the black township of Seeloo where two died after school boycotts protesting that education for blacks was inferior.

All 26 passengers aboard an Angolan Airlines Boeing 737 were killed when the aircraft was shot down last Wednesday by UNITA, the anti-government guerrilla force, a rebel spokesman claimed yesterday, reports Reuters.

Five crew members of a French air force cargo plane, taken captive briefly by insurgents while on a mercy flight in Ethiopia, flew back to Addis Ababa yesterday, AP reports.

## Britain calls on Japan to open telecom market to foreigners

BY JOHN BURTON IN TOKYO

JAPAN SHOULD follow the example of the UK and open up its telecommunications market to foreign equipment manufacturers, a British Department of Trade and Industry official told Japanese government and industry representatives yesterday at a conference sponsored by the Financial Times and Nomura Research Institute in Tokyo.

It must be suggested that a basic part of the thinking in any country approaching liberalisation (of the telecommunications market) is that there is no shame, no discredit, indeed there is great advantage, in approving apparatus originating abroad," said Mr Thomas Sharp, assistant secretary of the telecommunications division at the UK's Department of Trade and Industry during a seminar on the "liberalisation of telecommunications."

The symposium, which concentrated on the British experience since 1981, coincides with the scheduled April 1 liberalisation of the Japanese telecommunications market.

Mr Sharp suggested that Japan should take full account of international standard discussions "in drawing up equipment specifications and that the director of the agency responsible for approving the use of telecommunications equipment in Japan should be an independent aide of government, the network operators, domestic manufacturers and international companies."

He noted that Japan is approaching the liberalisation of the telecommunications market in a much more cautious manner than Britain with the Japanese government, for example, retaining majority control of Nippon Telegraph and Telephone (NTT) for the foreseeable future.

FINANCIAL TIMES  
Telecommunication  
Liberalisation  
CONFERENCE

"I have to ask the question whether the investors of Japan will have confidence that their government will not succumb to the temptation to interfere with NTT's decision after only 10-20 per cent of its shares have been sold. It is a point worth some reflection."

Mr Sharp also gently chided Japanese major holders of British Telecom shares. Our belief is that openness in respect of investment is itself a valuable complement to openness in respect of trade and we hope that belief will prove infectious."

In discussing the future of Britain's telecommunications policy, Prof Bryan Carsberg, director general of the Office of Telecommunications (OfTel), the industry's regulatory watchdog, predicted that price regulation of some BT services, including domestic line rental and local call charges, is likely to be extended beyond the initial five year period.

These services are subject to the so-called RPI-X rule, which limits price increases per annum to the increase in the retail price index minus X per cent. Mr Carsberg said an extension of "price control of some kind

will be needed until competition becomes effective."

But Gordon Owen, chief executive of Mercury Communications, BT's only authorized competitor in the common carrier market until the end of the decade, warned that the British Government may have to take additional steps to ensure Mercury's survival in the market.

BT's activity "must be monitored and controlled in such a way that gives Mercury a chance to develop its business," Mr Owen said. "If this is not done, competition will not survive."

Not only should the Government prevent possible "predatory pricing" by BT, but to interconnect with BT's communications network, he added. Otherwise, "it is economic nonsense to expect a newcomer to succeed without some help and understanding from the authorities."

While acknowledging that BT has a strong position in the British telecommunications market, Mr John King, BT's director of marketing and corporate strategy, said the introduction of new services by the company "will clearly be necessary because of the falling profitability in simple transportation of voice and data."

"We do not claim today to be leaders in data processing or all aspects of automation. We believe it will be necessary to add these complementary skills to our existing strengths and our future involvement in international products will bring us nearer to our goal — to be an information systems company," said Mr Sharp.

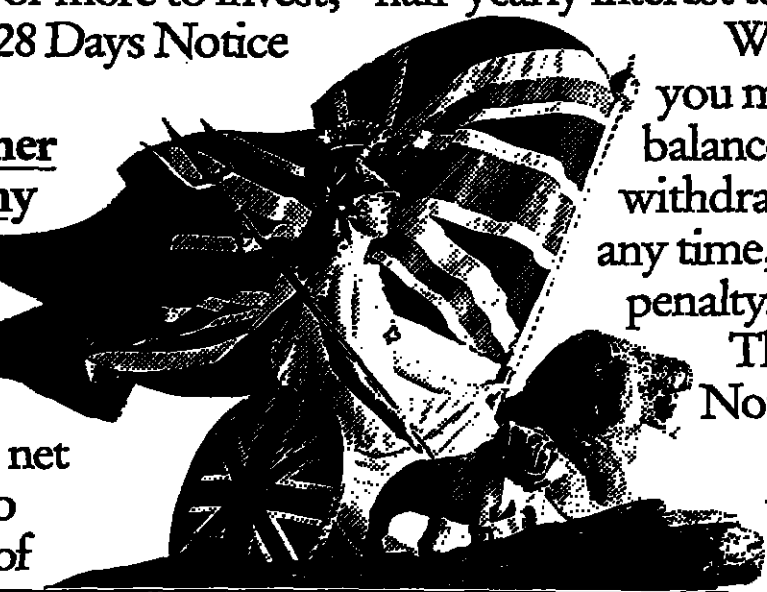
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## Reagan presses case for MX as arms talks near

BY REGINALD DALE, U.S. EDITOR IN WASHINGTON

PRESIDENT Ronald Reagan will decide this week on the negotiating position for the forthcoming Geneva arms talks, while at the same time pressing Congress for \$1.5bn (£1.4bn) to continue production of the MX missile which he regards as fundamental to the success of the talks.

Mr Reagan continues his consultations with allied leaders on the U.S.-Soviet talks at White House meetings today with Signor Bettino Craxi, the Italian Prime Minister, and is to meet Vladimir Shcherbitsky, the Ukrainian Communist Party leader and a member of the Soviet Politburo, in Washington on Thursday.

Yesterday, Mr Reagan sent Congress an 18-page report on the MX, arguing that failure to continue the programme "would significantly hamper U.S. ability to negotiate meaningful arms control agreements in Geneva and send an unmistakable signal to the Soviets that we lack the resolve to maintain our national security policy of deterrence."

The MX has a series of crucial votes in the House and Senate, starting little more than a week after the Geneva talks resume on March 12. While opponents of the missile have not given up hope of defeating it, the general feeling on Capitol Hill is that the opening of the arms talks should work in Mr Reagan's favour.

Mr Shcherbitsky, the leader of a 30-member parliamentary group from the Supreme Soviet, said on arrival in Washington that Moscow was not seeking to win strategic advantages in Geneva, but wanted an end to the arms race. Successful talks would be an important contribution to solving the most important problem of the day—removing the threat of nuclear war," he said.

The Soviet group's 10-day goodwill tour of the U.S. is in return for a 1983 visit to the Soviet Union by a bipartisan group from the U.S. Congress. Mr Shcherbitsky is the first full member of the Politburo to visit the U.S. in 12 years apart from Mr Andrei Gromyko, the Soviet Foreign Minister, but he is not expected to become involved in any concrete negotiations.

Mr Richard Burt, Assistant Secretary of State European Affairs, meanwhile warned in an interview with the West German newspaper Die Welt that Moscow's negotiating strategy would be to drive a wedge between the U.S. and its European allies. Mr Burt and the U.S. negotiating team are to brief the Nato council in Brussels on March 11, on their way to Geneva.

Mary Helen Spooner reports on Washington's concern at the growth of left wing terrorism

## U.S. signals disenchantment with Pinochet

THE Reagan Administration has begun to re-examine its policy of benevolence towards Chile, but is balking at the notion of directly applying pressure on General Augusto Pinochet's regime.

Last month Mr Langhorne Motley, U.S. Assistant Secretary of State for Inter-American Affairs, paid a three-day visit to Chile, meeting with Gen Pinochet, senior Chilean officials and labour, church and opposition leaders. Mr Motley's visit came on the heels of the U.S. decision to abstain from voting on an Inter-American Development Bank loan to Chile in protest at the regime's extension of the state of siege.

There could have been no clearer signal than this of U.S. concern at the state of Chile after 11 years of Gen Pinochet's dictatorship.

In his public statements during the trip, Mr Motley repeatedly emphasised that he had come "only to listen, not to prescribe solutions." Yet he expressed tacit support for the Pinochet regime when he told El Mercurio, Chile's largest newspaper, that the Western world owed a debt of gratitude to Chile for the 1973 military coup which overthrew President Salvador Allende's Leftist Government and brought the Pinochet regime to power.

At the same time, U.S.

officials are concerned by what they perceive as a growing and dangerous political polarisation in Chile. According to this view, Gen Pinochet's intransigence and divisions among his opponents are inadvertently helping the growth of Leftist terrorism. The U.S. State Department's 1984 human rights report on Chile noted that the number of terrorist attacks in the country had jumped from 195 in 1983 to 735 last year. While blaming the terrorists for some of the human rights violations in the country, the report acknowledged that the state of siege had caused a general deterioration in respect for human rights.

The U.S. has also attempted to encourage the formation of a broad-based opposition front that would include moderate Socialists and other centrists and democratic-minded Rightists, while excluding the Communists.

But, while opposition to the Pinochet regime is a widespread as ever, Chile's dissident groups have still not been able to form a cohesive organisation or even to agree on the most effective way to deal with the regime.

The Leftist Democratic Popular Movement has called for a day of protest on March 27, without the backing of more mainstream opposition groups. Part of the Reagan Admini-



Gen Pinochet... reminds visitors that Chile does not accept "outside meddling"

stration's dilemma lies in the fact that it has few ways of influencing Gen Pinochet, even if it were to take such a decision. U.S. arms sales, military aid and most economic aid to Chile ended during the Carter years and some of the measures the Reagan Administration reversed, such as credit from the Export-Import Bank, are arguably of greater use to U.S. businesses than to Chile.

Mr Motley's British counterpart, Sir William Harding, visited Santiago last week as

part of a regional tour. Mr Harding's public comments were less non-committal than those of the American official and, in a departing statement, he said that human rights had been an issue in all his conversations with Chilean officials. Britain may have more resources at its disposal in Chile than does the U.S., in view of the Thatcher Government's decision to lift the arms embargo in 1980.

The Pinochet regime tends to become defensive and openly irritated at any suggestion of a foreign government attempting to influence its internal policies. Gen Pinochet, in particular, customarily begins his meetings with foreign visitors by curiously reminding them that Chile does not accept "foreign inspection" or "outside meddling."

It remains to be seen whether the U.S., Britain and other European and Latin American countries would ever move to block loans to Chile by multilateral lending agencies such as the IADB and the World Bank. Some diplomats in Santiago are worried that such moves might provoke a nationalistic reaction among the general's Right-wing critics and drive them away from an incipient opposition coalition and back into the Government's arms.

Previous U.S. administrations have put pressure on Gen Pinochet through the multi-

lateral institutions, with mixed results. From 1976 to 1980 the Ford and Carter Administrations voted against nine loans to Chile worth \$229.4m on human rights grounds. Although the loans were all eventually approved, a Washington-based research institute, the Center for International Policy, estimates that Chile lost between \$500m and \$700m in multilateral loans. The Carter Administration and several European nations were prepared to block the loans and Chile withdrew them before they came to a vote.

At the same time, any economic damage the withheld loans might have had was more than offset by the availability of commercial foreign loans during this period.

The Pinochet Government is facing a period of severe financial austerity this year as it seeks foreign financing to cover an estimated \$1.4bn current account deficit. This time, a reduction in multilateral credits would be felt within Chile, increasing economic dissatisfaction and maintaining domestic discontent. Economic sanctions might give a slight boost to the morale of some sectors of the opposition, but will not help the movement as a whole find its way. And, without a coherent political alternative to the General, the Chilean strongman is likely to continue to rule unchallenged.

## Earthquake kills 124 in central Chile

By Our Santiago Correspondent

A SEVERE earthquake, measuring 7.4 on the Richter scale, shook central Chile on Sunday night, causing at least 124 deaths and injuring more than 2,000 people.

The most affected areas were the port city of Valparaiso and the coastal resort of Vina del Mar, located just 15 miles from the earthquake's epicentre in the Pacific Ocean.

Landslides blocked roads from the capital to the coast, while electrical power was cut off in most areas.

Government Secretary Gen Francisco Cauda said port facilities in Valparaiso had been damaged. At El Teniente, Chile's second largest state-owned copper mine, officials reported little damage but production was halted for the day.

Gen Augusto Pinochet, who had been visiting Chile's southernmost city Punta Arenas, cut short his trip to return to Santiago late on Sunday night. In a message broadcast on national radio stations, he urged Chileans to remain calm and said the authorities had the situation under control.

The earthquake damage is likely to exacerbate Chile's serious economic crisis, forcing up public sector spending.

## Conservatives fill posts in Neves Government

BY ANDREW WHITLEY IN RIO DE JANEIRO

THE POLITICAL complexion of Brazilian President Tancredo Neves' Government, which takes office in 10 days following his inauguration, will be heavily conservative with left wingers very much in a minority.

Among its senior officials will be Sr Francisco Dornelles, head of the Brazilian Inland Revenue as Finance Minister, Sr Olavo Setubal, President of the giant Itaú financial group as Foreign Minister, and Sr Aureliano Chaves, the outgoing Vice-President, who is to become Mines and Energy Minister.

The central bank governor in the new administration—likely to be the key negotiator with foreign banks—will almost certainly be Sr Antonio Carlos Lemgruber. Sr Lemgruber, 37, has been international director of Banco Boavista and is an orthodox, U.S.-educated monetarist. With the exception of a few prominent names from the past, an almost complete sweep of thousands of officials from the outgoing military regime is taking place—right down to the second and third levels of

government. Most are being replaced by politicians rather than the technocrats favoured by the military.

The formal announcement of the Neves Cabinet is not expected until later this week. But its broad shape is already defined. Indeed, many of the new ministers, especially in the economic area, are already working alongside their predecessors, familiarising themselves with their portfolios and drawing up their own lists of subordinates.

At the central bank, the important post of external affairs director is expected to go to Sr Sergio de Freitas, international director of the bank's credit and exchange department, with the new Foreign Minister. This link will boost the more prominent role the Foreign Ministry is expected to play in future over the foreign debt issue.

All that is delaying the formal announcement of the new Government is believed to be the choice of the Justice Minister and the heads of the various ministries to be formed after the break-up of the monolithic Interior Ministry.

## Alfonso reshuffles army high command

By Jimmy Burns in Buenos Aires

PRESIDENT RAUL ALFONSO of Argentina has reshuffled his army high command in a move apparently aimed at ensuring military discipline during a crucial political year.

The Ministry of Defence announced yesterday that General Ricardo Piana would replace General Julio Fernandez Dorres as the head of the Joint Chiefs of Staff.

General Piana will in turn be replaced as Army Commander by General Hector Rios Erenu, head of the Third Army Corp based in the northern city of Cordoba. There were unconfirmed reports yesterday that some Navy rear admirals and Air Force brigadier generals would also be forced into retirement.

Both General Piana and General Rios Erenu are widely regarded as sympathetic to the Government. However, the Ministry of Defence moved swiftly yesterday to refute speculation that the third military reshuffle since President Alfonso took power in December 1982 hinted at renewed tensions between the armed forces.

The ministry said the changes were routine and were part of the traditional year end promotions which had been delayed in December by the prolonged illness of Sr Raul Borras, the Defence Minister.

However, it is reliably understood that the reshuffle follows a heated meeting last week between Sr Borras and group of generals in active service. The Government is apparently bracing itself for military unrest once the former junta are put on trial in the second or third week of April. According to a weekend public opinion poll published by the military-linked weekly magazine Somos, a growing number of Argentines are increasingly worried by the armed forces' handling of the 56 per cent of those questioned believed that the military will attempt a coup before President Alfonso finishes his fifth year presidential term in 1989. Only 36 per cent think this unlikely.

## Pittsburgh reveals its best kept secret

By William Hall in New York

FRANK LLOYD WRIGHT, the famous American architect, once said that the best thing that could be done with Pittsburgh would be to abandon it, so it will come as a surprise to many people that the former capital of smokestack America has just been voted the best place to live in the U.S.

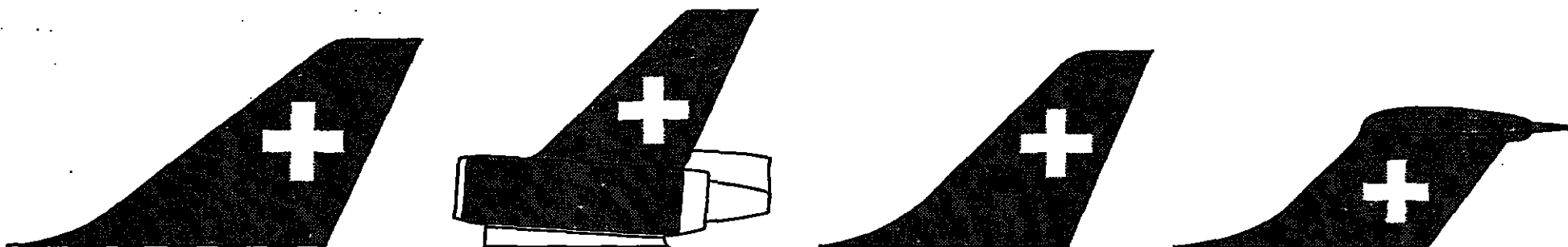
For years Pittsburgh has been struggling to change its public image from that of a grimy working man's town on a par with Scunthorpe, to a pleasant city. Its message finally seems to have got across. Rand McNally, the U.S. map and guidebook publisher, last week put Pittsburgh at the top of a list of 329 U.S. cities in its 448-page Places Rated Almanac, which measures everything from how many bowling lanes there are per head of population (Green Bay, Wisconsin, comes out top) to the least safe place in the country (you guessed it, New York).

Mr Richard Calliguri, Pittsburgh's mayor, is over the moon about the listing which is worth several million dollars in free advertising for his city. "We're the best kept secret in the world and now the secret is out," says Mr Calliguri. However, not everyone is so ecstatic about Rand McNally's judgments.

Mr Ed Koch, New York's mayor, described the ranking as "worthless" and said Rand McNally would do better sticking to making maps. The residents of Yuba City, California, rated the worst place to live in America, are reported to have ordered a ceremonial bonfire of Rand McNally maps on the 10th Street bridge.

The top five cities in order of importance are Pittsburgh, Boston, Raleigh, Durham, San Francisco and Philadelphia. The five worst cities are Yuba City, Pine Bluff, Modesto, Dothan, Albany. New York ranks 25th.

## The familiar sign of a good flight.



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Bombay  
Boston  
Chicago  
Geneva  
Hong Kong  
Montreal  
New York  
Tokyo  
Toronto  
Zurich

DC-10-30  
Abidjan  
Abu Dhabi  
Accra  
Athens  
Bagdad  
Bangkok  
Beijing  
Bombay  
Buenos Aires  
Caracas  
(from June 8, 1985)  
Colombo  
Dakar  
Dar es Salaam  
Dhahran  
Douala  
Dubai  
Geneva  
Hong Kong  
Istanbul  
Jakarta  
Jeddah  
Johannesburg  
Karachi  
Khartoum  
Kinshasa  
Kuwait  
Lagos  
Libreville  
Manila  
Monrovia  
Montreal  
Nairobi  
Riyadh  
Rio de Janeiro  
Santiago de Chile  
São Paulo  
Singapore  
Tehran  
Tokyo  
Toronto  
Zurich

A310  
Cairo  
Geneva  
Istanbul  
Lisbon  
London  
Madrid  
Milan  
Paris  
Tel Aviv  
Zurich

DC-9  
Algiers  
Amman  
Amsterdam  
Athens  
Barcelona  
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Brussels  
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## WORLD TRADE NEWS

## Lotus joins Chrysler to develop engines

By John Griffiths in London

GROUP LOTUS has signed a contract with Chrysler Corporation of the U.S. under which the two companies will jointly develop and engineer a family of high-performance engines for Chrysler's 1988 model year passenger cars.

The deal was signed in Detroit on Friday. Both sides are refusing to put a monetary value on the contract. But it is acknowledged to be more important for Lotus than a collaboration agreement the company signed with Toyota in 1981. The Japanese deal - under which Lotus is carrying out research and development for Toyota in exchange for components for existing cars and its new XJ100 sports car to be launched late next year - was itself seen as a landmark in the progress of Lotus' engineering consultancy division, set up in 1978 under the stimulus of a £12m (£13.2m) contract to develop the ill-fated De Lorean.

While Lotus executives refused to comment on the Chrysler agreement in detail, they see it as opening the door to a wider, long-term relationship with North America's third largest car maker.

Chrysler, which came close to bankruptcy in 1980, has been steered to a major revival by its chairman, Mr Lee Iacocca, the former Ford president. Last year it produced about 1.2m cars and reported net profits of \$3.4bn.

## Brazil and Nigeria agree \$1bn countertrade deal

BY PATTI WALDMER

BRAZIL is set to become one of Nigeria's top trading partners in 1985 following conclusion of a controversial \$1bn (£900m) counter-trade deal between the two countries.

The deal could signal a major shift in the traditional pattern of trade with sub-Saharan Africa's largest market.

Trade officials in Lagos believe the deal, which balances exports of Nigerian crude oil against imports of raw materials, spare parts and manufactured goods from Brazil, could catapult the country into first place as Nigeria's largest supplier in 1985 - displacing Britain, which has held this position virtually since Nigeria's independence.

Trade with Nigeria in more recent years has been dominated by Britain, the U.S., France, West Germany and Japan.

Although exports from each of these countries have fallen sharply since 1981 under the impact of the Nigerian economic crisis - the country's imports were slashed last year to \$2.2bn (£9.6bn) from \$12.2bn in 1980-81, and are due to fall further to \$3.15bn this year - they have still maintained their predominance in the market.

Trade officials believe this predominance could be challenged by the Brazil-Nigeria pact and a number of similar, though more limited arrangements now believed to be under discussion with countries which have until now been relatively marginal trade partners.

The pressure on Nigeria to consider such deals is intense. At a time when banks are reluctant to confirm letters of credit for Nigeria and Western export credit coverage is severely limited, the temptation of using direct oil sales to guarantee credit lines is strong.

With imports already cut to the bone, Nigerian industry simply cannot afford the sometimes lengthy delays involved in getting letters of credit confirmed overseas, say trade officials in Lagos.

A strength of the Brazilian deal is that confirmation is virtually automatic. Cotia, the Brazilian trading house involved in the deal, says the arrangement is a natural solution for two countries with serious cash-flow problems - Cotia calls them "partners in trouble."

The agreement involves two independent contracts:

● Under one, the Nigerian National Petroleum Corporation (NNPC) sells some 40,000 barrels of oil per day to Petrobras, the Brazilian state oil company;

● Under the second, Nigeria purchases some \$500m-worth of urgently needed imports from Cotia Comercio Exportadora e Importadora, the largest private trading company in Brazil.

As cash payments are involved, payments are made through an escrow account in New York, which is cleared monthly.

Nigeria's Finance Ministry is believed to have resisted the deal, and was reluctant to see

Cotia guaranteed a monopoly over a volume of trade which represents at least 13 per cent of total budgeted visible imports of 1985.

It argued that the company would have little incentive to ensure prices were competitive. NNPC officials opposed it, too, on the grounds that the complicated provisions of the deal could mask a discount on the crude price.

Clearly, there is a danger such deals can prove costly. But with the world oil market likely to remain relatively depressed in the short term, what must determine the attractiveness of countertrade arrangements is whether or not they bring Nigeria new customers for its oil.

This appears to have been the case for Brazil, with Petrobras increasing its normal purchases from Nigeria by 40,000 barrels a day. But it is not clear that there would be additional amounts involved in some of the other deals now believed to be under consideration.

Whether or not any other countertrade deals are concluded in 1985 the Brazilian deal alone has traditional exporters worried.

Exports from the U.S., West Germany and Japan continued their slide in 1984, with U.S. exports falling 40 per cent to \$570m from \$963.5m in 1983. West German exports declined 44 per cent in the first nine months of 1984 against the same period a year earlier and Japanese exports fell more than 20 per cent in the 11 months.

## Bull's Blood agent switch sparks UK court action

By Margie Lindsay and David Buchan

BLOOD - or Hungarian Bull's Blood - is to be more precise - may soon be all over the floor of the British law courts, following legal steps by Colman's of Norwich to try to block the recent award to another UK agent of the exclusive right to sell the leading Hungarian red wine in this country.

Colman's lost their 14-year-old right to sell Bull's Blood in the UK on February 14, when Egervin, the Hungarian producer and brand-owner of the famous Bull's Blood of Egger, gave the exclusive UK sales rights of its product, backdated to January 1, to Hedges and Butler, the Bass wine and spirit subsidiary.

Colman's is fighting back. But the Norwich agent remains silent about its precise course of legal action, not going beyond a statement admitting that "a dispute has arisen between us and Hedges and Butler (the Hungarian wine export agency) and Egervin," and that Colman's has started "proceedings" in order to "protect its position and to resolve the problem."

The problem, Colman's, arises somewhat bizarrely out of the Hungarian Government's reforms - much lauded in the West - to introduce free competition and flexibility into that country's trading practices.

Until last April, Monmouth, with which Colman's had its Bull's Blood sales contract, had the monopoly on all Hungarian wine exports.

Since then, individual wine producers have had the right to export and sign their own agency deals, and Egervin has now used that right.

Egervin's ground for putting its UK sales in different hands would not appear to concern the volume of Bull's Blood sales, which rose 15 per cent last year after Colman's started marketing it in 3-litre boxes.

But Mr David Jenkins, a Hedges and Butler director, stressing that his company was in no way party to the current viticultural dispute, said late last week that Egervin approached his company in the second half of 1984, claiming it wanted a different, more "up-market" sales pitch for its red wine.

East European countries such as Hungary with no general trade agreements with Brussels, face EEC quantity restrictions on their wine. Producers such as Egervin may therefore be more interested in the volume of the quantity of their exports, particularly when faced with other East European competition in lower grade wine.

Meanwhile, Hungarian trade officials in London seem wryly amused about the "knock-on" effects in the UK from their economic reforms back home.

## U.S. steel import surge continues

THE U.S. imported 1.6m tons of steel in January, up 22.6 per cent from 2.16m tons in December, for the second highest monthly total on record. AP reports from Pittsburgh.

The American Iron and Steel Institute said that, paced by record shipments from developing countries, imports represented 26.9 per cent of the domestic steel market. The average market penetration for 1984 was a record 26.7 per cent.

In a related announcement, U.S. Steel, the nation's largest steelmaker, said it filed five anti-dumping and countervailing duty petitions with the U.S. Department of Commerce and International Trade Commission against steelmakers in Austria, Romania and Venezuela. U.S. Steel claimed the countries are selling tubular steel for the oil industry at less than fair value.

## Britain 'willing to share technology with China'

BY CHRISTIAN TYLER IN PEKING

BRITISH companies were ready to "treat China as a 'full partner'" by transferring industrial technology, China's Premier, Zhao Ziyang, was assured in Peking yesterday.

Lord Young, Minister without Portfolio, who is leading a high-level trade mission from the UK, reported later that the Chinese Premier had explained to him that the Japanese were not willing to share their technology although they were competitive on price.

While the British mission was being received in the Chinese leaders' compound beside the Forbidden City, a big Japanese mission in Peking this week was granted audience with Deng Xiaoping, China's paramount leader.

Lord Young was at pains to stress that the British had been given a special mark of favour in meeting both the Prime Minister, his deputy, Li Peng, and 10 other Ministers during the first leg of their mission.

He rejected suggestions that the UK had been given a less warm welcome than the Japanese.

Meanwhile, it emerged that what was billed as a selling mission has none the less included a number of offers by UK companies to set up equity joint ventures in which the Chinese are particularly keen.

For example, British Oxygen - represented by its chairman, Mr Richard Giordano - said in

private talks that it was ready to commit itself to a \$20m-\$50m gas plant venture in Shanghai and asked how much the Chinese were ready to invest on their side.

Mr James Prior, chairman of GEC, said a number of proposed joint ventures involving GEC divisions, were fully discussed and he hoped these would lead to firm commitments.

The delegation's meeting with the Chinese Premier followed a ceremony at the Great Hall of the People where one business contract was confirmed and two other possible deals for British companies were nudged forward.

Cable and Wireless signed a joint memorandum for feasibility studies that could strengthen its presence in China's big telecommunications programme.

The company hopes to set up a joint venture with the Chinese Government for improving communications in the big industrial area of the Yangtze River Delta - a programme on which the Chinese expect to spend \$500m (£454m) over the next five years.

The other feasibility study is for a telecommunications technology centre in Peking, costing about \$20m, which would advise authorities all over China of their different needs.

Rolls-Royce signed a protocol which takes it a step nearer to a £10m order for four Spey engines to power generators in the Nanhai offshore fields. The company has already supplied three such engines to China.

The only company to clinch a deal yesterday was Abeking Barford, the former BL heavy vehicles manufacturer, which is not represented on the UK delegation.

Abeking Barford was celebrating a contract won several months ago to license production of 600 30-ton dump trucks over the next seven years. Sales of UK-made components to a Peking factory could be worth around \$60m over the life of the contract.

The British delegation leaves for Shanghai today and will visit Canton and Hong Kong before returning to the UK.

China has ordered two colour television manufacturing plants worth a total of more than ¥3bn (\$10m) from Victor Company of Japan, a Victor spokesman said, Reuter reports from Tokyo.

One plant, for the Shanghai branch of the China Electronics Import Corporation, will have the capacity to make 20,000 televisions a year, starting on September 30, 1985.

The other plant, for Dandong City Electronic Industry Corporation, will make 150,000 sets annually, beginning in October this year.

## Lisbon £250m surplus with UK

BY DIANA SMITH IN LISBON

PORTUGAL ENJOYED a £250m trade surplus with the United Kingdom in 1984 - over three times its 1983 surplus of £79m.

Robust Portuguese exports to the UK and a sharp drop in British exports to Portugal produced this record surplus.

Britain's share of the Portuguese market has slipped from 19.5 per cent in 1983 to 17.5 per cent in 1984, according to figures from the Portuguese Ministry of Commerce.

The U.S. - a major source of Portuguese food imports of more than \$900m (£777m) a year - West Germany and France have overtaken the UK.

However, Britain is still Portugal's largest single export market, with 13.6 per cent of exports in 1984. West Germany is the second largest market for Portugal, with 13.6 per cent of exports.

Portuguese fabrics, yarn and clothing - items that represent

42 per cent of national industrial output dominate exports to Britain, and grow annually.

In 1984, £152m-worth of yarn and fabrics and £116m-worth of clothing made up almost half the £464m-worth of Portuguese goods exported to Britain.

This compared with fabric and yarn exports worth £133m and clothing exports worth £88m in 1983.

Other major Portuguese exports to the UK were pulp and waste paper (£48m in 1984 and £27m in 1983), cork and wood (£38m in 1984 and £28m in 1983) and footwear, one of Portugal's fastest-growing export items, which increased in value from £20m in 1983 to £27m in 1984.

By contrast, many British exports to Portugal shrank. Figures for the value of these are not yet available, but it is known that the most drastic drop in 1983 and 1984 was in commercial vehicle components.

This reflects a depressed Portuguese market after a 1981-82 commercial vehicle boom fed by locally-assembled Ford, General Motors and British Leyland vehicles using components imported from Britain.

British exports to Portugal slid from a peak of £439m in 1982, when Britain had a £49m surplus, through £397m in 1983 when Portugal went into surplus, to £366m in 1984 - a 23.8 per cent decline in two years.

Other major exports to Portugal such as oil, oil products and machine tools also dropped, reflecting Portuguese recession and austerity.

That recession and more Government support for exports drove many Portuguese manufacturers abroad more energetically.

After a 6 per cent decline in 1984, imports are expected to grow by 8 per cent in 1985, enabling Portugal's trading partners to make up a little of the slack.

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FTS-2

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John Moore reports on the prospective new dealers in government securities

## Finance groups flock to join market

MORE THAN 20 financial groups, including eight large U.S. securities and investment banking groups, are to seek recognition as market makers in the government securities market.

Their entry into this market, if approved by the Bank of England, could revolutionise trading in Britain's domestic bond market and produce unprecedented competitive pressures.

Lloyds Bank is one of the latest groups to indicate that it plans to establish a primary dealership to trade British government securities as a subsidiary of a merchant banking group it is forming.

For years the British gilt-edged market, which last year turned over £200bn, has been dominated by just two market makers, Wedd Durlacher and Akroyd & Smith.

environment has led securities houses - including the two main market makers, Wedd and Akroyd - to forge links with outsiders.

With other outsiders coming into the gilt-edged market, through their own links with British securities houses, the amount of capital supporting market-making operations could grow to more than £200m.

Mr John Davies of stockbrokers Quilley Goodison, headed by Sir Nicholas Goodison, chairman of the London Stock Exchange, said that the firm and its new overseas ally, Skandia Life, had no intention of becoming involved in the market.

One leading banker whose firm is seeking primary dealership status admitted: "We will enter this with a heavy heart but we have to do it in order to gain a position. We are not going to make the sort of returns we would normally be looking for."

American groups are more optimistic. At the London office of

### THE CANDIDATES

Security Pacific (Hoare Govett), Citicorp (Vickers de Costa/Scimgeour Kemp-Gee/Secombe Marshall & Campion), Mercury International (S. G. Warburg/Akroyd & Smithers/Rowe & Pittman/Mullens), Mercantile House (Alexanders/Jessel, Toynbee & Gillett/Laing & Cruickshank), Schroders (Helbert Wagg & Co, Anderson Bryce Villiers), Kleinwort Benson (Grieverson Grant/Charlesworth & Co), Hongkong & Shanghai Banking Corporation (James Capel, which has a joint venture for market making with Gernard and National, an independent discount house), Midland Bank

Names in brackets are the British securities firms in which stakes have been taken, with the exception of Gernard and National.

Drexel Burnham Lambert, the U.S. securities group, Mr Stuart Lewis, the vice-president, said: "We do not expect immediate returns in the short term. When the London International Financial Futures Exchange started in 1982 we struggled along with our four seats and now we are happy. We are taking a long-term position."

Mr Donald Roth, chairman of Merrill Lynch Europe, has hired Mr John Hutchinson, a former senior partner of Wedd Durlacher, to be managing director of the firm's gilt sales and trading activity. "We want to be ready to become a pri-

(Samuel Montagu/W. Greenwell), Barclays Bank (Wedd Durlacher Mordaunt/de Zoete & Bevan), Union Discount, National Westminster (Bisgood Bishop/Fielding Newson Smith), Union Bank of Switzerland (Phillips and Drew), Chase Manhattan (Simon & Coates/Laurie Milbank), Morgan Grenfell (Pinchin Denny/Pember & Boyle), Hill Samuel (Wood Mackenzie), Royal Bank of Canada's Orion Royal Bank (Kitcher & Aiken), Shearson Lehman/American Express (L. Messel), Baring Brothers (Wilson & Watford), Cater Allen, Drexel Burnham Lambert, Merrill Lynch, Lloyds Bank, Bankers Trust, Goldman Sachs.

There are likely to be a few storms in the British bond market but we are in for the long term."

Mr David Jones, a vice-president of Goldman Sachs, is equally optimistic. "On our assessment of the market, the figures look reasonable. Markets are not independent as far as capital flows are concerned. We have to participate."

Bankers Trust has started recruiting dealers to its proposed primary dealership operations, taking on individuals from British brokers Montagu Loeb Stanley, Buckmas-

houses, is still thinking seriously about the situation. King and Shaxson and Smith St Aubyn, both among the smaller of the discount houses, are not going to attempt it largely because of their size. But Union Discount is entering the fray and has recruited three gilt-edged dealers from Laing & Cruickshank.

Cater Allen's Alistair Buchanan said: "We think that we ought to be in the market." Gernard and National, one of the largest discount houses, has formed a joint company with James Capel, in which Hongkong and Shanghai Bank has a stake, to develop a primary dealership.

All those surveyed by the Financial Times feel that between £15m to £25m will be the amount of capital which will be required for a primary dealership which, following Bank of England guidelines, will have to be separately capitalised.

Among European groups, Union Bank of Switzerland will be a player in the primary dealer market through its Phillips and Drew interests. Deutsche Bank holds a near 5 per cent stake in Morgan Grenfell, which through its links with the British securities market will also be seeking status.

Crédit Suisse, with a stake in brokers Buckmaster & Moore, is still considering the possibilities. If it attempts anything, it is likely to do so through its London affiliate Crédit

Suisse First Boston.

Japanese securities houses, such as Nomura, have yet to declare their hand and their admission as primary dealers could depend on the rate at which their own financial community is opened up to overseas interests.

Companies which are to set up as market makers in UK government stocks will have to be members of the British Stock Exchange. The Bank of England, which outlined its original plans last November, has been waiting for the stock exchange to produce the necessary constitutional changes to allow outside members. That has taken longer than expected.

The Bank is working on its own formal plans which will be published in the next few weeks together with an indication of the number of likely applicants.

Hill Samuel's Richard Lloyd observed: "There will be too much capital coming on to the market. There will be losses. But the Bank of England and the Government are reluctant to intervene to limit the numbers as they prefer to leave market forces to curb the numbers."

"What they do not realise is that it is highly unlikely that firms will withdraw once they have got a place as it will mean too much loss of face. They will just shoulder the losses."

Traded options, Page 28

## Reform plan for wage councils

By Peter Riddell, Political Editor

WAGES COUNCILS, which set pay rates for 2.75m workers, are likely to be retained in a modified form after a lengthy Whitehall debate.

The Government's employment White Paper (policy document), expected within the next month, is expected to recommend that the councils should be reformed rather than demolished. This will be coupled with a series of other proposals to boost youth training and employment opportunities for the long-term unemployed.

The main change affecting Wages Councils is likely to be the exclusion of young people, aged 18 or less, from their remit. This fits in with the Government's general desire for increased flexibility in the labour market for young people by removing the obstacles to employment creation, for example by the setting of minimum wage rates.

One reason why ministers seem set to retain the councils is that the Audit Report, which recommended the removal of restrictions on shop opening hours in England and Wales, also called for the continuation of Wages Councils in the retailing sector.

## Commons to debate shop opening hours

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

A PARLIAMENTARY debate on changing the law to allow all shops to open legally on a Sunday is expected to be held by MPs before the Easter recess.

The debate will make clear the Government's commitment to ending restrictions on shop opening hours and pave the way for legislation to be introduced in parliament in the autumn.

The Government's determination to implement in full the recommendations of the Audit committee's report into shop opening hours - which called for the abolition of all controls - is expected to face stiff opposition in parliament. Opponents of the committee's findings include religious groups, Labour MPs sponsored by Unlaw, the shop-workers' union, and backbench Conservative MPs concerned with the plight of small retailers.

These opposition groups are united in opposing abolition of all laws

on shop hours, although they have different views on how the present restrictions should be reformed.

Unlaw estimates that the effect of abolition of controls on opening hours could see the loss of between 120,000 and 200,000 jobs from retailing. The issue is likely to be the focus of the union's conference next month.

Large retailers which are in favour of reform, such as Woolworth and Habitat/Mothercare, believe that the impact on jobs will be far less than the Unlaw estimates. They point to the experience of Sunday trading in Sweden and the U.S. to support their argument that longer shop opening hours do not damage retailers.

If the Government goes ahead with legislation in the autumn to allow Sunday trading, it is likely that shops would not be able to trade freely before summer 1986 at the earliest.

## State puts up £800,000 for Ulster jobs rescue

BY OUR NORTHERN IRELAND CORRESPONDENT

THE GOVERNMENT has agreed to put £800,000 towards a rescue plan which will save 130 jobs at the former Molins Tobacco Machinery plant near Londonderry, in Northern Ireland.

Molins announced the closure of the factory, with the loss of 440 jobs, in October when it decided to concentrate production of spare parts at its Peterborough, Cambridgeshire, plant.

The Government aid will help establish a new company, Maydown Precision Engineering, which was proposed by the workforce with the help of local businessmen and the Foyle Development Organisation, Londonderry's enterprise agency.

Dr Rhodes Boyson, the Northern Ireland Industry Minister, yesterday approved the rescue deal subject to the promoters subscribing £200,000 in share capital and raising a further £200,000 of bank loans. Workers at the factory have pledged their redundancy payments to the venture.

Dr Boyson has supported £95m development proposals which could bring about a resurgence of Northern Ireland's flax growing and linen industries.

A task force set up by the Industrial Development Board produced a strategy to encourage the industry to expand and add to the 6,400 jobs already dependent on linen making.

## Consumer credit rises to record levels

BY PHILIP STEPHENS

CONSUMER CREDIT business in Britain reached record levels in January as consumers took advantage of cheap credit from retailers and finance houses before the sharp rise in interest rates.

The Department of Trade and Industry said yesterday that new loans advanced by retailers, finance houses and other specialist credit organisations rose to an all-time high of £1.16bn during the month. That was nearly 20 per cent higher than in December and compared with a previous record high of £1.01bn in May of last year.

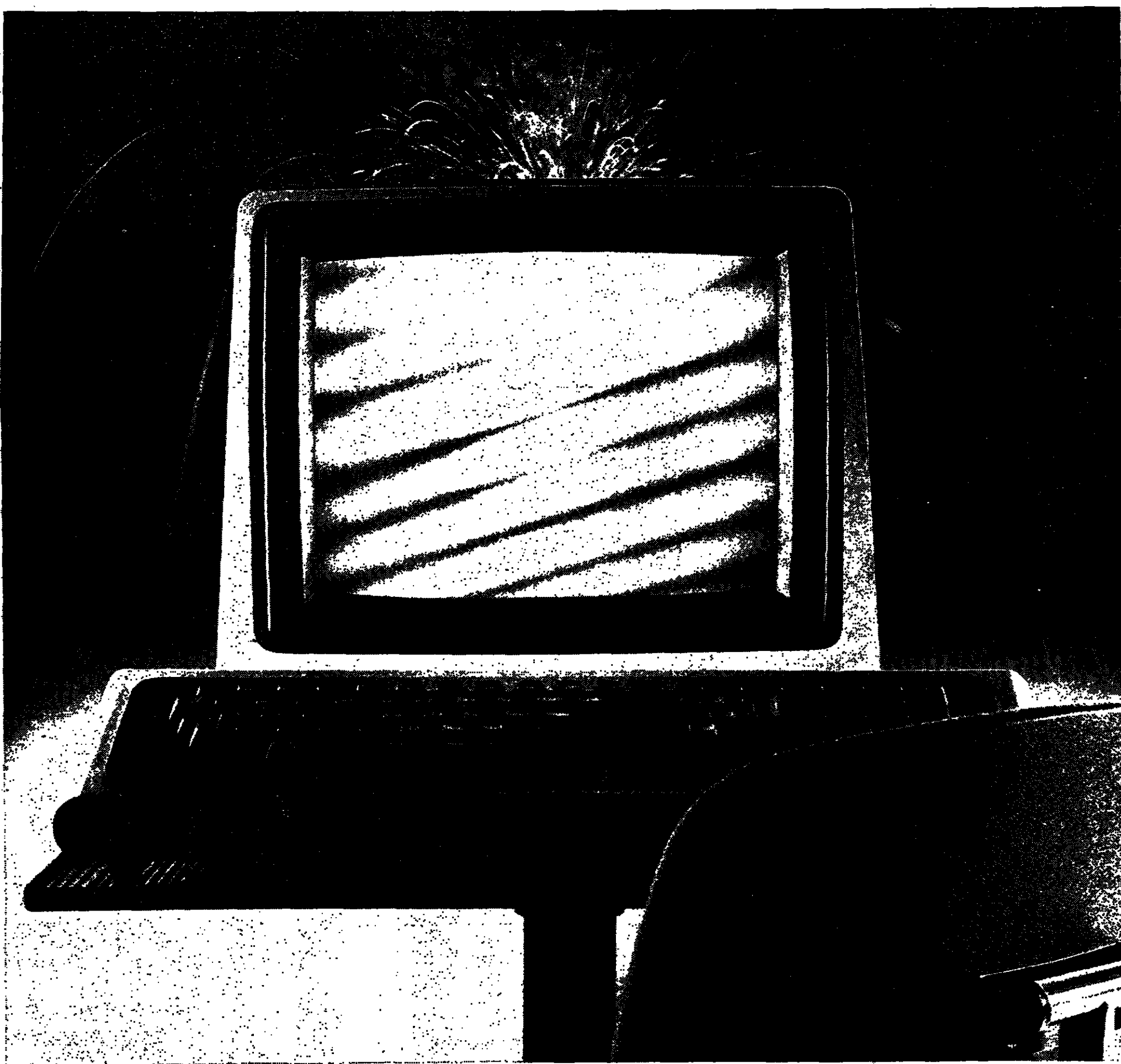
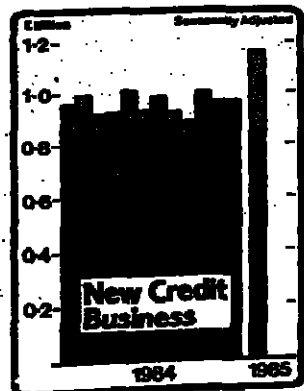
The figures confirm a strong underlying upward trend in consumer credit since the autumn of last year. In the three months to January new loans rose by 10 per cent compared with the previous three-month period.

Part of the explanation for the January rise, however, is found in the fact that the organisations covered by the data did not react immediately to the general rise in interest rates.

Although the banks raised their base lending rates by a total of 4½ percentage points to 14 per cent, retailers and finance houses did not adjust their charges until the beginning of February.

The general expectation among economists is that the higher level of borrowing costs and the subsequent rise in mortgage rates will depress retail spending and credit demand over the coming months.

New credit business in January is also likely to have been given a



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## UK NEWS

Pits prepare for return to work

### Unions draw lessons from coal stoppage

BY PHILIP BASSETT, LABOUR CORRESPONDENT

TRADE UNION leaders were mostly unhappy yesterday that the miners' strike had ended without agreement; but most of them recognised that there was little else that the leadership of the National Union of Mineworkers (NUM) could have done.

Left-wing union leaders placed blame for the dispute on the Government, while those on the right were more openly critical of the tactics of the NUM and of Mr Arthur Scargill, its president.

Mr Jack Eccles, Trades Union Congress (TUC) chairman, called on the NUM leadership to recognise now that it had to represent the majority of the union which returned to work, and called on the NUM to seek urgent talks with the National Coal Board (NCB) to reach some agreed settlement.

He insisted that the TUC leadership had done all it could for the miners, but said "the members will make up their own minds."

Mr Bill Sims, general secretary of the Iron and Steel Trades Confederation when it refused actively to support the NUM, said: "It is sensible for them to go back on the basis that they have." He thought the agreement on pit closures by the pit supervisors' union, Nacods, was "quite a good one."

Mr Rodney Bickerstaffe, of the public employees' union Naps, said:

"I am disappointed because there is no negotiated settlement."

Mr Alec Smith, of the tailors' and garment workers', said returning without an agreement was "a good strategy. It allows the NUM to reserve their position, and to develop a strategy for dealing with closures at local level."

Mr John Morton, of the Musicians' Union, hoped there would be no recommitments, particularly against the TUC, since if there were they would be both "fruitless and inaccurate." The miners "had taken the only course open to them."

Mr Jim Slater, of the National Union of Seamen, said he thought the strike had been worth it, because "to struggle for the right thing is not wrong."

Mr Eric Hammond, of the electricians' union EETPU, who gave a warning last September at the TUC Congress that the miners would not be supported, said: "I am glad it is over - but I am sorry to have been proven right about the course of events."

Mr John Lyons, of the Engineers' and Managers' Association, said: "The Scargill alternative strategy has failed, and in the light of that, most people will be looking for a more constructive attitude from the trade union movement."

Mr Roy Grantham, of the white-collar union Apea, said: "There will

be arguments for decades over the miners - but the people who let down the miners were their leaders."

Mr Ken Gill, of TASS, the white-collar section of the engineering union, said: "The miners have established something on a level that has not happened before on jobs and communities."

Mr Ron Todd, of the Transport and General Workers' Union, said: "It is a sad day for the trade union movement," although he claimed that it was not necessarily a setback for the unions if they responded to it constructively.

Mr Alan Tiffin, of the Union of Communication Workers, said: "The miners' strike has taught us that we must be much clearer in differentiating between disputes with the employer and those with the Government. The right way to change the Government is through the ballot box."

Brenda Dean, of the print union Sogat, said her union would carry on as normal. "The miners' strike will have no effect on our wage bargaining. I do not accept in this era of new technology that the miners are the stern troopers of the movement - I have never thought that."

Mr Tony Christopher, of the tax staffs' IRSP, said: "I hope now the coal board will begin to conduct itself with some magnanimity."

### Coal board to consult miners directly

By Ian Hargreaves

LEADERS of the National Coal Board (NCB) will follow a policy of consulting directly with the industry's workforce rather than following traditional procedures, Mr Ian MacGregor, the board chairman, said yesterday.

In his first public appearance since Sunday's vote to end the pit strike, Mr MacGregor delivered a low-key speech to the Coal Industry Society. He asked for customer forbearance if it took time for the NCB to return to full output, since it would take some weeks to "re-indoctrinate our workforce in safe productions."

The strike, he said, had proved the coal industry's ability to surmount difficulties. "The only time you find out how strong and capable people are is when you go through a difficult period."

Mr MacGregor kept to the line agreed between the Government and the board that there should be no talk of victory over the National Union of Mineworkers (NUM). "There will be no recommitments as people return to work. This is no time to talk of victory or defeat."

He made it clear, however, that he did not expect business as usual in relations with the NUM. He hoped to see in the NUM "a representative leadership who will truly listen to the views of the members of the union and act in accordance with the interests of all of their members."

There was a chance this would happen, he said, if the NUM drew lessons from the behaviour of miners who had worked throughout the strike. But the union should also expect management to make use of the knowledge it had gained about the workforce "through more intimate contact than ever before."

Mr MacGregor said: "These relationships will continue when we return to normal working. Consultation and co-operation will be carried out in the true meaning of the word, rather than by lip-service to familiar procedures and methods of working. The management of this industry have learned to communicate directly with the people under their control."

He said that the medium and longer-term prospects of the coal industry might be strengthened by the strike, since many customers had continued to be supplied by virtue of the efforts of working miners and the UK distributors. With sterling depressed against the dollar and the prospect of better working practices, change could now run in the industry's favour.

There were, he said, good opportunities to expand coal sales to industry from 1m tonnes a year to 14-15m tonnes a year during the next five years.

The NCB also had plans to promote domestic use of coal and the board would "do everything to recoup the losses to the gas industry made at our expense during the last year."

### Litigation against NUM likely to continue for many months

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

THE PIT STRIKE may have effectively ended but the litigation lingers on.

The funds of the National Union of Mineworkers (NUM) are still under the control of the High Court-appointed sequestrators and receiver. They will remain so until the union's leaders purge the contempt that led to a £200,000 fine. The union refused to pay the fine imposed for defying injunctions not to describe the strike as official.

Moves by anti-strike miners to have the leadership ordered personally to repay the fine to union funds, to reimburse area funds used to finance illegal picketing, and to pay damages for an alleged conspiracy to assault working miners, have still to come to trial.

Attempts by the union or its areas to discipline miners who disobeyed the strike call and crossed picket lines are likely to be vigorously resisted in the courts.

At the weekend it emerged that working miners intended launching a new action, the ultimate aim of which would be to oust Mr Arthur Scargill as NUM president.

The outstanding litigation could occupy the attention of the courts and continue to exacerbate the divisions and tensions within the union for many months to come.

The cost to NUM funds so far has been estimated at about £200,000. That figure could be closer to £1m

by the time the law has finally run its course.

How many of the cases will be pursued to final judgment will be a matter for the working miners and their lawyers. A straw poll of some of the solicitors involved suggests that some claims at least will be fought to a finish.

A key factor will be the union's attitude to disciplinary action. If it goes ahead with plans to expel or suspend miners it will almost certainly guarantee that the courts will continue to be involved in its affairs.

On the other hand, were the union to agree to an amnesty, the working miners might feel that the difficult but necessary task of healing the wounds that the strike has inflicted on the union might best be served by letting the rest of the litigation lapse.

The South Wales area of the NUM is to ask the High Court to give back control of its £2.7m assets, frozen since August because of the area's contempt of court.

The union's solicitors said yesterday that it hoped to go to court later this week to purge its contempt and have the sequestration order lifted.

South Wales lost control of its assets when it failed to pay a £50,000 contempt fine imposed in July.

It had defied orders made in April to stop "blacking" lorries owned by two hauliers - Richard

Read (Transport) and George M. Read - carrying coke from the Port Talbot works of the British Steel Corporation. The companies claimed that their lorries had been stoned, abused and intimidated by pickets.

The union took no part in either the original proceedings or the contempt hearing.

Two weeks after the sequestration writs were issued the sequestrators - four partners in City of London accountants Price Waterhouse - reported to the court that they had seized about £700,000 of the union's assets, out of which the fine was paid.

The balance of the seized funds and the rest of the union's assets have since remained frozen.

The Read companies, which still have a damages claim against the union outstanding, will return to court today with a new legal action against South Wales.

Their complaint is that, because they are on a union blacklist, they have been banned from the premises of Maxheat, a company making processed fuels at Llantrisant, near Cardiff. The companies will seek temporary injunctions and, in due course, make fresh damages claims.

Today's hearing is likely to be adjourned to give the union time to prepare its defence.

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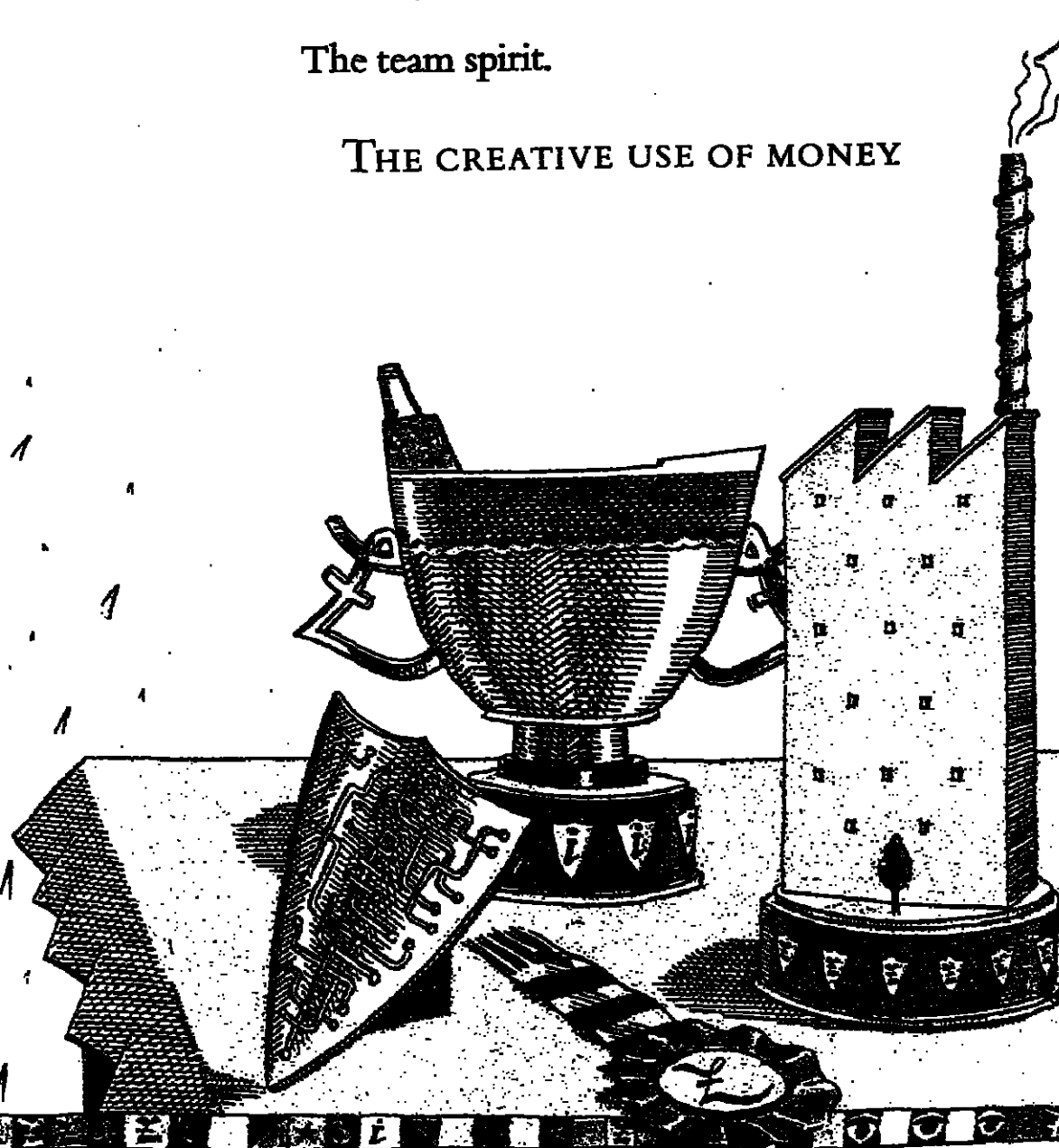
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## TECHNOLOGY

## BIOTECHNOLOGY IN FRANCE

## Elf invests in drugs for dwarfs, bugs for oil

BY DAVID MARSH IN PARIS

A SPACE station-like building near Toulouse in S.W. France which takes part of its architectural inspiration from a nearby Jacobin monastery is at the centre of revolutionary French efforts to break down the distinctions between fundamental and applied research in biotechnology.

The new Labège complex, has been set up by French oil giant Elf Aquitaine to bring together key elements of the group's biotechnology efforts.

The Labège laboratory, which has cost around FF100m to build and has an annual operating budget of around the same amount, employs about 80 researchers and technicians. The number is scheduled to grow perhaps to 400 over the next five years.

Elf and its 60 per cent-owned pharmaceutical subsidiary Sanofi, which run the centre jointly, decided to devote considerable resources to biotechnology as part of France's efforts to catch up in this sector compared with thriving U.S. companies.

Elf announced at the end of last year a reorganisation of its group biotechnology activities, making up sales of about FF1.50bn in an expanding range of areas running from agricultural and food products to genes, cosmetics and plastics. The Labège complex, which has been in operation for about a year but was formally opened in January by M. Hubert Curien, of the Research and Technology Ministry, represents a crucial part of the overall strategy.

In contrast to other biotechnology research establishments in France which concentrate on specific fields, work at Labège covers the gamut of Elf's range of interests. It carries out genetic engineering research for development of pharmaceuticals and aromas for food and perfumes, as well as experiments on in vitro plant multiplication (concentrating on crops like maize, rapeseed and sunflower) and on harnessing micro-organisms for oil prospecting and recovery in Elf's mainstream industrial business.

Out of 18 PhD level researchers... making up the

centre's molecular biology team, 10 are from outside France — mainly Americans, but also including people from Britain, Argentina and the Netherlands.

The aim, says M. Andre Joyeux, the centre's director, is to carry out research "totally integrated" with the industrial and commercial sides of Elf's bio business. This is accomplished by frequent interchanges between research staff and Sanofi's top management, as well as with executives from the group's other operating arms such as Rustica in seeds, Roussel in gelatins and Ceca in colloids and food texturisers.

Sanofi has also recently increased the international scope of its food additives business with the acquisition of Dairyland Food Laboratories of the U.S., specialised in milk products, which makes considerable use of bio-techniques.

The centre is equipped with pilot fermentation and purification plants to assist in scaling up research techniques to the pre-industrial level. The fermentation plant has a production capacity of 300 litres in 24 hours. "A lot of laboratory processes collapse at the industrial stage," says M. Joyeux. "We have the same equipment here that would be used in a factory. If we discovered a process for use industrially, we would take part in developing the plant."

The centre also prides itself on its outside contacts—part of general efforts in France to break down traditional barriers between diverse research institutions. It works in collaboration not only with French bodies, such as the national science institution CNRS, agricultural institute INRA and medical organisation Inserm, but also with researchers from the Californian Salk Institute, the Massachusetts Institute of Technology, the Kyoto centre in Japan and the Cambridge Plant Breeding Institute.

One of the most promising areas of the centre's pharmaceutical-linked research is in the production of human growth hormone by general recombination techniques using cells from monkeys' kidneys.

The product, now being made at the pilot manufacturing stage, is identical to the hormone secreted naturally from the hypophysis gland.

Commercial introduction could take place in 18 months or two years, says M. Joyeux, following clinical test procedures.

Elf and Sanofi believe their product is superior to growth hormone bio-synthesised by other companies (including Genentech). This competing hormone contains an extra amino acid, methionine, compared with the natural product which could lower the body's tolerance for therapeutic uses.

Growth hormone has great clinical potential as significant quantities are needed to treat dwarfs—using a natural product which at present costs around \$10 per milligramme. Other applications are in the regeneration of tissues after surgical operations, treatment of burn cases, and speeding up growth of premature babies or, generally, children suffering from malnutrition.

Another field where the centre also hopes for clear commercial results is in production of interleukin-2 (IL-2) with potential for making good deficiencies in the body's resistance to disease.

Using genetic techniques based on cloning of cells from animals, Sanofi has made breakthroughs on producing IL-2 in vitro. Roussel-Uclaf, one of the other big French pharmaceutical groups, is also studying IL-2, based on production from bacteria, in combination with the Strasbourg-based genetic engineering firm Transgene (in which Elf has a 14.4 per cent stake).

Sanofi, which again believes its product has greater potential because it is structurally identical to that found in nature, signed a research accord with Roussel-Uclaf last year to collaborate on IL-2 research.

Despite the promising research results, however, IL-2 is still a long way from the marketplace. If tests go well M. Joyeux believes it could be introduced commercially in about three years time.

## Bank hires scientist to look after its interest in life portfolios

AS A sign that the French financial world is becoming more interested in biotechnology, the Banque Nationale de Paris, France's largest bank, has hired a research scientist to look after its expanding portfolio of participations in bio-companies.

M. Philippe Geynet joined Banexi, BNP's investment banking arm, two years ago from the Centre National de la Recherche Scientifique (CNRS), the national research organisation. He is now in charge of about FF10m worth of BNP money invested in five small French firms and two U.S. companies involved in biotechnology.

Overall, Banexi has stakes in around one dozen sectors in the biotechnology health and pharmaceutical fields.....

participations—in the fraction of a per cent range—in Californian genetic plant breeders Calgene and Maryland-based bio-processing company Purification Engineering. Calgene already has links with Rhône-Poulenc, the French state-owned chemicals group, and is considering a joint venture in France.

A U.S. foothold is vital, says M. Geynet, "because the immense majority of things happening in the world in biotechnology are taking place either in the U.S. or Japan. Any company which starts in biotechnology in France has quickly to tackle the U.S. market too."

BNP's role in the business is not so much designed to bring off "financial coups" — though it naturally enough hopes to make an eventual profit on its biotechnology stakes. Rather, M. Geynet says, the decisive reason is that "BNP has to have a stake in the best industrial businesses of the future. It's important not just for BNP, the future industrial landscape of France is at stake."

lished immunology firm; and Andia Biologicals, a Strasbourg company set up by a married couple of scientists.

BNP also has a minority stake in Blanc-Barbier, an enterprising company on the Cote d'Azur which has now become a world champion in cultivation of test-tube carnations using techniques pioneered by the INRA agricultural institute. And, in the U.S., BNP has two small par-

Overall, Banexi has stakes in around one dozen sectors in the biotechnology health and pharmaceutical fields.....

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## INSULATION MATERIALS

## Tank lagging for process control

THE MAN whom millions of beer drinkers have to thank for a key part in the production of Guinness has turned his hand to a different area—manufacture of a new form of lagging material for tanks in the chemical and food industries.

Dr Tom Carroll, 63, who last year left his job as director of brewing at Guinness' main brewery in west London, has turned to production of a plastics-based material called Sealulation that insulates large vats.

Dr Carroll worked on the early development of Sealulation during his time at Guinness, for which he worked since 1952. He says that the beer group has agreed to turn over to him patent rights on the material, which is made by C and K Extrusions, a small plastics company in Tonbridge, Kent. Dr Carroll works as sales consultant for the company.

According to Dr Carroll, the substance is more suitable on grounds of hygiene for lagging tanks (used for fermentation or other chemical reactions) than conventional materials.

such as cork, glass wool or fabric. Conventionally, such substances are fastened to the outside of vats or pipes to keep them hot or cold. But spillages can cause the materials to rot or otherwise degrade.

Sealulation comprises hollow strips of PVC or polypropylene that are filled with small balls of mica, a mineral that is inert and acts as an insulating medium.

Each strip, about 10 cm wide, can be laid next to each other to form a panel that covers the exterior of a cylindrical vessel. The material is pliable and so can take up the shape of tanks of different sizes. The plastic envelope of Sealulation is covered with a layer of foil that can be wiped clean.

Sealulation sells for about £55 a sq metre, says a typical large tank in the chemical or food-processing industry would cost £1,500 to £3,000— which is, according to Dr Carroll, comparable to the cost of lagging such vessels by conventional techniques.

## BRINGING IDEAS TO INDUSTRY

## Technology transfer

BIRMINGHAM and Newcastle upon Tyne are to set up later this year their own technology transfer units to make local industries more aware of new techniques such as automation and advances in materials.

According to local authority planners in these cities, such units, which will draw on the expertise of universities and other research institutions around Britain, can play a part in revitalising companies in areas such as engineering and metallurgy.

Birmingham's centre will be based on Aston University's science park. West Midlands County Council is to put up £400,000 to cover the costs of the unit for two years.

Staff at the centre will liaise with local companies to put them in touch with researchers, not just from local universities such as Aston but from researchers organisations run by big companies which may have developed new techniques for

which they have no immediate use.

Two engineers from Aston University are to be seconded to the unit for a limited period. The county council's economic development department is also running a series of seminars aimed at people from local industries to tell them of new ideas in science and technology.

In Newcastle, three academic organisations are behind the moves to set up the new centre. Newcastle's university and polytechnic, together with Sunderland Polytechnic, will put forward ideas that could be of use to manufacturing companies in the neighbourhood.

Staff at the centre, which is financed by £200,000 from local authorities and the European Commission's regional development fund, will act as brokers to arrange meetings between companies in specific areas and academics who are doing work of relevance to them.

## LOCAL AREA NETWORKS FOR MICROCOMPUTERS

## A step towards standards

INTEL, the U.S. electronics component company, is trying to break down the barriers of communications between computers. It has announced a computer network which will link different makes of microcomputers within a building complex.

Initially, microcomputers based on three different operating systems—Ms Dos, Xenix and IBM's—will be able to use Opennet, as Intel has dubbed the network. It hopes, however, that other operating systems will join the network as it is revealing its protocols—the codes by which communications can work between computers—to any interested company.

The Intel announcement comes at a time when the market for local area networks is fragmented by a number of proprietary systems. Until now no protocols were available for use by a number of computer manufacturers. Intel's network

is based on an existing local area network called Ethernet. It is one of the most widely used of all the networks with about 200 suppliers and 10,000 networks installed.

Computer giant IBM is also supporting the development despite its commitment to its own form of network. It helped develop the protocols for linking IBM personal computers into Opennet. Microsoft, the U.S. software company, was also closely involved with Intel.

One of the hindrances to connecting different microcomputers together has been the lack of international standards. The International Standards Organisation has developed a model for standardisation called Open Systems Interconnection. It sees the problem in terms of layers, rather like those of an onion. Each layer specifies a particular set of functions which are necessary within a computer to communicate with

another.

The first two layers—the outer skins of the onion—describe the physical and electrical features of the networks and how data travels on the link. The next two layers set up the message delivery scheme. Layers five to seven provide the way to name the stations on the network, layer six translates files from one format to another while the final layer defines specific services such as electronic mail.

Despite proposals for standards, and some agreement about levels one to four, the higher layers of the network are still not agreed as regards standards. Intel hopes that with its family of hardware and software products that cover all levels of the OSI model, manufacturers will be tempted to follow its route.

ELAINE WILLIAMS

It's time to give punch-clocks their cards.



Office

## Computer guide

THE LATEST edition of Wharton's Complete Office Automation Guide reveals that spending on systems and equipment reached almost £3m in 1984, representing increases of 60 per cent in unit sales and 28 per cent in revenues.

Wharton sees these figures as a problem for manufacturers in that funding such growth at a time of falling prices is proving a great financial burden for many companies.

Basically the book is a tabular listing of the characteristics of some 750 equipments ranging from electronic typewriters to personal business computers in 13 categories. The listings include address and telephone number and the most recent financial results of the 125 suppliers listed. A one or two page analysis appears before each of the sections.

Wharton Information Systems has established Oliveri and Olympia in the supply of electronic typewriters. The Italian company is also second behind Wang but ahead of LBM in supplying word processors.

More about the guide, which costs £20, on 01-440 7366.

## Automation

## Experience of machine vision

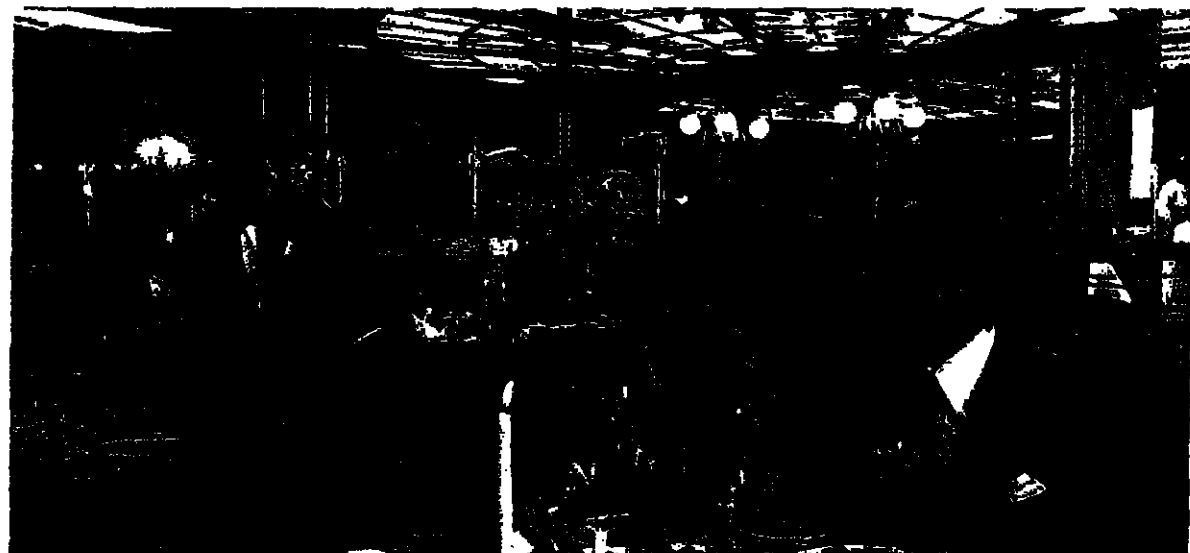
A NEW book from IFS (Publications) of Bedfordshire brings together in one volume the experience of several leading UK workers in the field of machine vision.

Edited by Bruce Batchelor of UWIST, company director Denis Hill and David Hodgson a University of Birmingham lecturer, the book is titled Automated Visual Inspection and covers the subject in 19 well illustrated chapters.

Application areas dealt with include defect detection, surface examination, measurement, counting, grading, sorting and "posture recognition" of production line components for subsequent robot handling.

The book includes 31 case studies, but few locations or companies are mentioned and the descriptions are sometimes rather brief. Most aspects of the subject are covered, and there are chapters on economic aspects and industrial relations, placed surprisingly early in the book.

Measuring 234 x 156 mm, the book has 550 pages and costs £25 in the UK. More on 0234 833005.



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## UK NEWS

## A war of words and ads in Birmingham

By Sue Cameron

THE taxi driver at Birmingham's New Street station didn't seem to know there was a war on.

"The Daily News?" he asked, in the kind of puzzled voice that clearly showed he had never heard of it. "Don't you mean the Post and Mail?"

His question would have brought cold comfort to Mr Chris Bullivant, founding father of the Daily News, had he been around to hear it. For the News, launched last October as Britain's first ever free daily, is locked in a bitter battle with the centrist Birmingham Post and Mail group.

The spoils they are fighting for are revenue from local and national advertisers. The weapons are cut-price advertising rates, rumour, innuendo, surveys and occasional open challenges on the printed page. But while the Post and Mail is standing gallantly alone, the News has a powerful ally in the form of its substantial minority stakeholder, Reed International, the paper and publishing group.

The News, moreover, is fighting on two fronts: as well as taking the offensive against BPM, it knows it must also establish itself as the bridgehead for viable, free daily newspapers in the United Kingdom.

Hostilities began last October when the Daily News was started with much fanfare about its being Britain's first free daily paper. The News was to be distributed free to 300,000 households in Birmingham on four mornings a week, Tuesdays to Fridays inclusive. The aim was a 50/50 mix of editorial and advertising. Ad rates were to be at least £1 cheaper per centimetre than those of BPM. The format was to be tabloid and the style that of a pop paper with the accent on human interest and showbiz stories.

The Daily News camp maintains that BPM had had a monopoly on daily newspaper advertising in Birmingham for far too long. But the News insists that it is "only" looking for a 10 to 15 per cent share of the £25m to £30m worth of advertising business which it reckons is available in the Birmingham area each year. It adds that BPM is welcome to the other 85 per cent and that there should be room for both of them. "If BPM is sensible," the evidence to date suggests that the News has at least succeeded in putting BPM on the defensive.

● BPM admits that the launch



of the News forced it to accelerate existing plans to turn the Birmingham Post, its comparatively upmarket morning paper, from a broadsheet into a tabloid.

● BPM asked the Audit Bureau of Circulation if it could combine the sales figures of its Evening Mail with those of the Post to give a joint circulation rating. The request has apparently been refused. This means BPM cannot offer advertisers a circulation that tops the magic 300,000 figure which has been distributed free each day by the News.

● BPM admits that its circulation has dropped a further 2 to 3 per cent since the start-up of the News. Over the last 10 years sales of the Post have plummeted from around 63,000 a day to some 35,000, while those of the Mail have fallen from roughly 375,000 to 284,000.

● The Illife family, which has controlled BPM since the Second World War, has just bought the company into 100 per cent private ownership. BPM claims this has "nothing whatever to do with the News" and adds that it represents a "vote of confidence". Others believe the move, which has been referred to the Monopolies Commission, has been triggered by the need to eliminate dividend payments and put all resources into fighting off the News.

● BPM has announced plans to axe up to 300 jobs out of a total of 1,650—though it will consider alternative proposals designed to give an equivalent reduction in costs.

All of this suggests that BPM

is worried. But over at the group's Colmore Circus headquarters, where it produces a number of free and paid-for weeklies as well as the Post and the Mail, there appears to be only disdain for the upstart. Executives decline to say exactly how long they think the News will last. But they seem confident that its demise is merely a matter of time.

Mr Tim Morris, chairman of BPM, will only concede that the Reed factor may enable the News "to live a little longer" than the six months he originally expected.

The Reed factor is a key one. Reed International, whose interests stretch from paper and publishing to paint and building products and whose turnover topped £2bn in 1984, took a sizeable but undisclosed minority stake in the Daily News only a month after it was launched. The motive Reed also disclosed—has been put into supporting and developing the News while three Reed directors recently joined the News Board.

BPM's Mr Morris still believes that the News will be only a temporary phenomenon—even with a powerful backer like Reed. "Nobody can tolerate a loss making operation indefinitely," Mr Morris says. "If the News goes on losing money, I think Reed will be forced to close it."

Currently the News is losing money but Mr Bullivant and Mr David Scott, editor of the News, stress that they never expected to make money

immediately. They say they have an 18-month business plan and add that they are on target to break even by the end of this year or early in 1986. They admit that they have not yet achieved their target of a 50/50 advertising and editorial mix—but they insist they are delighted at progress so far.

All may be fair in love and war, but Messrs Bullivant and Scott do seem to have occasionally exaggerated the progress they are making. Both have talked airily about how the News has come very close to achieving its 50 per cent advertising target on Fridays—the paper's best day—and how the figure is well over 40 per cent in the Thursday editions.

The sappers at BPM's Colmore Circus have had their rulers out. They have measured and logged every centimetre of advertising in every edition of the News since its launch last October. Their figures show that the advertising content of the News has only once topped 40 per cent on a Friday and that the highest proportion of advertising it has ever had was 44 per cent—on a Thursday, back in November. Weekly averages for the Daily News advertising content hover round the 30 per cent mark.

Mr Bullivant quickly came back on the defensive, with a three pronged attack. BPM, he said, had not counted the News' own house ads although those were always meant to be included in the 50 per cent target.

And it is true that if all advertisements—not just those that are paid for—are taken into

account the News did manage a 49.4 per cent advertising content during one week in November. The usual figure for Fridays is still around 40 per cent.

Mr Bullivant clearly finds grounds for optimism in the Colmore Circus intelligence figures. "I am very flattered that they are taking so much trouble to monitor us," he said in a voice which suggested BPM must be even more worried about the News than he had hoped.

The question of advertising rates is one on which both sides are also prepared to discourse at length—but only about each other's charges and only on an unattributable basis. If half of what they say they have heard is true, their battle is indeed a bloody one.

The advertisers themselves are also none too keen to go on the record—chiefly for fear of reprisals. Yet one said the size of the discounts given varied but could be as high as 25 per cent in a slack period.

Rackham's, one of Birmingham's leading department stores and much prized as an advertiser by both the News and BPM, said cautiously that it had found the increase in competition "helpful". The store added that the existence of two daily papers meant a wider choice for advertisers and also gave them the chance to reach a wider audience. It had also helped in securing better positions for advertisements that were placed.

Costs and profitability—or the lack of it—are other topics which both BPM and the Daily News find absorbing. But again, they prefer to discuss each other's rather than their own. Costs at BPM, which is a much bigger operation than the News and which has its own printing works, are running at around £750,000 a week. The £750,000 figure includes the costs of the group's weeklies—BPM insists that it is too difficult to isolate the costs of the Mail and the Post alone. Mr Morris admits that these costs are too high and adds that efforts are being made to reduce them.

Free-tax profits for BPM Holdings, which includes all the group's publishing activities plus its retailing and paper and packaging operations, were £3.3m on a turnover of £96.8m in the year ending June 30, 1984. The newspaper publishing side contributed £1.3m towards the total. In the same

year BPM enjoyed a £2.7m windfall from the sale of Reuters shares but almost £2m of this went on redundancy payments and the cost of deferred taxation arising from changes in the law.

Observers of the regional newspaper scene say that few come anywhere near the 15 per cent return on turnover that most aim for. But one industry expert reckons that in a league table of performance, BPM would "probably be in the third quartile."

The Daily News, which has no plant of its own and which is printed on a contract basis by Berrows Newspaper group, a Reed subsidiary, says it costs are under £100,000 a week. It declines to say how much money it is losing—although plenty of people outside the company are ready and willing to give unattributable guesstimates.

Substantially lower costs have been one of the key advantages of free newspapers over their older, established, paid-for rivals. This year the total advertising revenue of free weeklies is expected to overtake that of the paid-for local weeklies.

The burning question in Birmingham is whether the same success can be achieved on a daily basis. Even among the freeshirt fraternity some say that what works brilliantly once a week will not turn in profits every day. Mr Ian Fletcher, chairman of the highly successful Yellow Advertiser Newspaper group which publishes over 1.5m free a week, highlighted some problems at a business conference in London this winter.

Among these were the high cost of daily distribution and the need for a free daily to have a much higher editorial content than any of its weekly counterparts. Without a large editorial content—40 to 50 per cent—a daily paper would not be read and would not therefore attract advertisers. Mr Fletcher pointed out that successful free weeklies had always taken a 25 per cent editorial/75 per cent advertising formula as the "commercially viable norm."

Back at the Daily News, Mr Bullivant fully accepts the 25/75 ratio as the right one for weekly free. But he insists that free dailies are entirely different and that a 50/50 balance—once he achieves it—will work.



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## Proposed capitalisation issue

Since 1977, when the Liberty Life Group acquired control of Fugit, the distributable reserves of the company have grown from R5.6 million at 30 June 1977 to R20.4 million at 31 December 1984 representing 27.4 cents per share on the 74.5 million shares in issue. At the same time the non-distributable reserves of the group increased from R6.5 million at 30 June 1977 to R108.4 million at 31 December 1984 (which includes R16.5 million attributable to the subsidiary company) primarily as a result of net surpluses arising on realisation of investments over that period. In order to stabilise the increasing trend in the build up of reserves it is considered desirable to capitalise portion of the aforementioned non-distributable reserves by way of a one for ten bonus capitalisation issue to shareholders.

Certain shareholders may prefer to receive a cash dividend rather than the aforementioned bonus capitalisation shares which would be paid out of the company's distributable reserves. Each shareholder will be given the opportunity to elect to take the cash dividend (which in the hands of an individual would normally be liable to taxation) in lieu of the bonus capitalisation shares, applicable and the quantum of the cash dividend will be equitably calculated and notified to shareholders prior to the time at which they need to make the election. It is anticipated that the aforementioned bonus share issue or equivalent cash dividend distribution will be made at the same time as the 1985 interim dividend in June and shareholders will be more fully informed nearer the time of the mechanics of the proposed arrangements.

By order of the board

J. Worwood  
Secretary

Johannesburg  
1 March 1985

A192

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The Financial Times proposes to publish a survey on the above subject on Wednesday 24th April 1985, prior to the BIBA conference in London.

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## MOZAMBIQUE

THE SLOGAN "Death to armed bandits" has replaced "Long live proletarian internationalism" on the upended red cube which serves both as traffic island and propaganda board at the end of Maputo's Avenida Mao Tse Tung.

It is the new catchword of a régime which is approaching 10 years of independence in a depressed and chastened mood after the dashing of the high hopes temporarily raised by the Nkomati accord with South Africa on March 16 last year.

From the Mozambican point of view, Nkomati has been a disaster. South Africa pledged to end support for the Mozambican National Resistance (MNR) and restore normal commercial and political links with Mozambique in return for the expulsion of African National Congress (ANC) activists from the country.

But the MNR has proved to be a hydra with many heads and, despite the official ending of clandestine support by South Africa, the security situation has deteriorated rapidly since Nkomati.

As the anniversary of the Nkomati accord approaches, the Frelimo Government headed by President Samora Machel is showing clear signs of having lost faith in co-operation with South Africa. Instead it is looking towards the U.S. and the international aid and financial institutions for support while looking anxiously over its shoulder lest warmer relations with Washington should alienate its backers in Moscow.

Given the propaganda advantages which South Africa reaped from the Nkomati accord, neither Maputo nor Washington can understand why the South African government has not fulfilled its side of the bargain. After all, Nkomati was originally perceived as a diplomatic triumph for South Africa, a rapprochement with its formerly hostile black neighbour which forced public opinion worldwide to reconsider its assessment of South Africa's regional role.

The answer appears to lie in the strength of internal opposition to President P. W. Botha's cautiously reformist path within the Afrikaaner-dominated bureaucracy and security apparatus, and consequent willingness to turn a blind eye to the activities of ex-colonial and other interest groups both within and outside South Africa.

Greater U.S. involvement in Mozambique—a country whose original Marxist-Leninist rhetoric and close ties with the Soviet bloc once raised hackles in Washington—has been high-

# Maputo's battle for security and prosperity

By Anthony Robinson, recently in Mozambique



President Samora Machel

lighted by the recent decision to start a limited U.S. military aid programme and a four-day visit to Maputo by Mr. Frank Wisner, a senior State Department official.

The military assistance is tiny—"non-lethal" equipment like uniforms and boots to the tune of around \$1m and staff training in logistics for fewer than 10 Frelimo army officers in the U.S. But hitherto, Mozambique has relied almost exclusively on arms and training from the Soviet bloc—providing valuable harbour and airport facilities to the Soviets in exchange.

Washington's economic contribution is more substantial. Esso and Amoco are among other international oil companies, like Shell and BP, which are active in oil and gas exploration while last month Mr. Wisner signed an agreement to supply 40,000 tons of maize worth \$15m, bringing to 110,000 tons the U.S. food aid to be supplied in the year to September 1985.

Although Portugal has been widely criticised for its failure to develop Mozambique during its 400-year colonial rule, the sad fact is that it did leave a legacy of cities, roads, railways, farms, ports and other infrastructure and that legacy has deteriorated massively since 1975. The process of decay—fuelled by the mass exodus of Portuguese, almost gutted adherence to the UN embargo on Rhodesia, inexperience of the new rulers, and destabilisation by South Africa—has speeded up alarmingly over the

last 10 months of stepped-up MNR activity.

The Government blames continuing clandestine support for the MNR from wealthy ex-colonialists among the 600,000-strong South African Portuguese community and in Portugal itself as well as right-wing elements in West Germany, and support from Gulf oil states for the 3m-strong Moslems in the north of the country.

But the proliferation of armed bands also appears to be a consequence of drought and the general breakdown of order and communications over huge areas of the country.

Diplomats and aid officials, whose business took them into the disaffected areas before the upsurge in bandit activity confined them to Maputo, report that some of the banditry is also committed by former members of the Frelimo army who are ill-disciplined, unpaid, badly supplied, armed and hungry.

The Government characterises this kind of lawlessness as "social banditry" to distinguish it from the politically motivated and foreign-led activities of the MNR. But it is loathe to admit that its own troops may also be implicated in the banditry which is sapping its authority and strength. This was strongly denied by General Sergio Vieira, the Minister of Security, in an interview.

The most dangerous area of all is the hundred or so kilometres between Maputo and the South African border. The alternately tarred and dirt road from Maputo to Komatipoort is lined by dense bush and pitted

by tank tracks. Travelling in a mini-bus guarded by two jeeps full of armed soldiers and a T-54 tank, I passed at least 20 burnt-out trucks and cars, including the Jaguar car in which two British citizens were killed on January 19 only 12 kms from the South African border by road and three as the crowd flies.

Off the main road, four tanks and two armoured personnel carriers were deployed guarding South African and Mozambican technicians repairing a blown-up electricity pylon in the disconsolate knowledge that two more pylons had been blown up further down the line that same week. Ten kilometres away, other troops in camouflage uniforms and carrying Kalashnikov assault rifles protected engineers lifting a new railway bridge girder. The bridge was blown at the New Year. It is only seven kms from the frontier.

The cumulative effect of MNR activity on an already depressed and drought-ridden economy has been devastating. Not only are the roads, railways and power lines to Maputo and its port subject to frequent attack, but the rail lines from Maputo and Beira to Zimbabwe are also out of action.

The Cahora Bassa hydro-electric project, has not sent any power to South Africa since October 1983 because 27 pylons have been blown up some 500 kms from the dam. Road traffic between the major cities and towns is so dangerous that embassies and aid organisations

have prohibited their staff to travel except by air or in certain areas with military escort.

Millions of dollars of emergency food aid are unable to be distributed to the officially estimated 2.5m needy in the six worst affected drought provinces and food warehouses are bare of stocks in Inhambane and other regional centres.

Most aid-assisted projects in the provinces are paralysed. These include an ambitious French and Italian-funded programme to build over 1,500 kms of new power lines in the northern provinces.

A critical shortage of foreign exchange has cut back the import of much needed spare parts, raw materials, oil, food and consumer goods needed to stimulate production, provide incentives and re-start the economic cycle in both agriculture and industry.

The sharp devaluation of the South African rand, furthermore, has reduced the dollar value of port revenues and migrant worker remittances while South African shippers complain that at present exchange rates, it is cheaper to ship through Durban and Port Elizabeth than Maputo.

The insecurity factor has also made it more difficult to export traditional hard currency earners like cashew nuts, timber, and cotton and dashed hopes of a revival in the once flourishing tourist trade.

The Paris club agreed last October to reschedule part of Mozambique's estimated \$1.5bn hard currency debt (plus an-

other \$700m or so to Comecon) and the World Bank is expected to agree a \$30-50m loan in June. An IMF team is expected in March and Mozambique's recent adherence to the Lomé convention should be a source of future EEC assistance.

The plight of Mozambique has also touched the heartstrings of a multitude of non-governmental aid organisations. Despite the enormous problems facing the Government, however, there is a curious lack of tension in Maputo and little sense of a city besieged.

The MNR has proved its capacity to disrupt communications and isolate the cities. But it appears to have made little effort to infiltrate the cities and its still rather shadowy leaders have made little effort to present themselves as a credible alternative government.

Diplomats and other foreign observers in Maputo believe that President Samora Machel's personal prestige and that of the Frelimo government has been undermined by the failure of Nkomati either to improve the security situation or to remotely satisfy the popular expectations of greater prosperity.

The Nkomati approach was only reluctantly agreed to by the more ideological Moscow-line figures in the Cabinet like Mr. Marcelino dos Santos and Mr. Armando Guebuza, who represents the black nationalist faction within the multi-racial government. The Soviet Ambassador, Mr. Yuri Fadeevich Sepelov, has underlined Soviet unhappiness with the Nkomati approach, and the more pragmatic line taken since the fourth congress, by muttering under his breath about the recent military aid offer from Washington as Mozambique's "second Nkomati".

President Machel cannot afford to ignore such muttering—the Soviet Union supplies two thirds of Mozambique's oil, most of its military equipment and advisers. In recent months East Germany, Bulgaria and the Soviet Union itself have also stepped up supplies of frozen fish and consumer goods to counter the growing feeling that the Soviet bloc is good for guns but not for anything else.

At this stage Mozambique cannot afford to alienate anybody—and neither can President Machel. There is no discernible sign of any internal challenge to his continuing leadership and he remains a charismatic figure widely respected by many western politicians as an honest and pragmatic leader. But until a solution is found to Mozambique's security problems there can be no guarantee of anything.

## APPOINTMENTS

## New Racial-Decca post

Mr. Chris Webb has been appointed director-in-charge of RACIAL-DECCA ADVANCED DEVELOPMENT. The company, latest of Racial's specialist research units, is devoted to investigating new technologies for use in radar, satellite, infra-red and navigation systems. Mr. Webb is technical director of Racial Defence Radar, a post he retains.

Mr. Brian Guest has been appointed customer engineering director of BUSINESS COMPUTER SERVICES.

A new post of operations and planning manager created at ALLOA BREWERY, Scottish trading arm of Allied Breweries, has been taken by Mr. Roy Wallis, who was operations director of United Biscuits responsible for running a chain of licensed restaurants.

Mr. Harry Norris, chairman of Stock Conversion and Investment Trust, has been appointed to the board of RITE IMPROVEMENTS, and of Site Developments.

Mr. Gavin Barrie is to be sales and marketing director of LEYLAND TRUCKS. He succeeds Mr. Chris Woodcock, who becomes managing director of Land Rover-Leyland International Holdings. Mr. Barrie is sales and marketing director of Leyland Parts.

Mr. Richard Smith has been appointed marketing director of SWISH PRODUCTS, part of the Dupont Group, taking over from Mr. A. J. Knight who will continue as a senior director on the board with responsibility for special projects. Mr. Smith joins from Fordham Bathrooms and Kitchens, a subsidiary of Hopworth Ceramic Holdings, where he was sales and marketing director.

Mr. Murray Melean, chairman and chief executive of Robert Moss, has become a director of the CSE-Oxford Air Training School Aviation Group.

LOMBARD CONTINENTAL INSURANCE has appointed Mr. Bryan James as deputy marine underwriter. He was marine manager and underwriter at NEM.

Mr. Sias A. Joswiak and Mr. Nigel Holby have been appointed directors of shipbrokers EGGAR FORRESTER. They join from Maton Grant Sutcliffe.

CROWN HOUSE has appointed Mr. M. J. W. Sergeant as group chief executive in succession to Mr. F. Edge-Partridge. Mr. S. G. Bodger has been appointed financial director designate. Mr.

Edge-Partridge continues as chairman in a non-executive capacity. Mr. Sergeant has been a member of the board for five years and remains chairman of the tableware division.

Mr. Michael Mountford has been appointed financial director of SUPRA AUTOMOTIVE. He joins from Rubery Owen where he was assistant to the financial director.

Mr. G. J. Mansley has been appointed production director of JOSEPH MASON. He joined from International Paints.

LYNDON (HOLDINGS) has acquired Taylor-Bradbury Furniture Contracts and has appointed Miss E. Taylor as sales director and Mr. A. Taylor as a non-executive director of Lyndon (Holdings).

HEWGAITE (HOLDINGS) has promoted Mr. Keith Foster to group financial director, and joining the board is Mr. Timothy Thibridge, managing director of Avocet Estates, to become responsible for the group's property developments.

Mr. Courtney Candler has been appointed production director of FINEPAPERS, paper merchanting division of British Syphon. He was a senior consultant with Coppers and Lybrand Associates.

Mr. John Hinchliffe, former senior gills partner at Wedd Durlacher, is joining MERRILL LYNCH EUROPE as managing director of its gill sales and trading activity.

Mr. Paul Tharby has been appointed an assistant general manager of THE UNITED BANK OF KUWAIT. He was manager, portfolios and investments, for which he will continue to have responsibilities.

Mr. Bill W. Pace has been appointed managing director of UNION OIL COMPANY of Great Britain. He was managing director, Union Oil Norge A/S in Sandness, Norway.

Mr. Michael Buckingham, formerly operations director, has been appointed managing director of GUY SALMON CAR RENTALS. Mr. Richard Salmon takes over as chairman; his father, Mr. Guy Salmon, who celebrates the golden jubilee this year of the company he founded in 1935, will still remain fully involved in the running of the group.

Mr. Andy Ralls has been appointed director with special responsibility for finance at CHARTER HOMES. Also joining the board is Mrs. Anne Scudell.

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Renault launches an innovative in-line training programme aimed at raising quality standards to meet the demands of the luxury car market.

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The reason for its quick success in this very demanding market are not only its class of the first conception, but also its solid "door churning" quality. A full 30% higher than its predecessor, the quality of the Renault 25 is up to par with the best of its top bracket competitors.

Achieving high quality while maintaining high production runs is a constant problem in the automotive industry.

Working with the objective of total workforce involvement, Renault initiated its ambitious training experiment early last year. Production lines were shortened. The latest audio-visual techniques and teaching methods were employed to increase information flow. Feedback from the shop floor to management was made mandatory and procedures were quickly altered if they didn't work well.

Intensive training dialogue between workforce and management was attained. And quality improved automatically.

So much so that Sandouville is no longer an experiment. In the future, every Renault plant launched by Renault will have gone through the same course.

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## THE MANAGEMENT PAGE: Small Business

## Management buy-outs

## France takes faltering steps

BY DAVID MARSH

MANAGEMENT BUY-OUTS are all very well in theory in France these days. But, so far at least, putting them into practice has been a slow process. As a result, the Government is facing a lobbying drive from investment institutions to try to bring about a further easing in the rules covering buy-outs.

As part of the general efforts to improve the jobs outlook by boosting incentives for small business entrepreneurs, the Socialist government last July brought in a package of tax reform measures to encourage managers to take over their own businesses.

With hardly a week going by without a French bank or institution announcing a new investment scheme in the general field of risk capital, some of the leading names in French finance, including the Paribas and Societe Generale groups and a cluster of foreign organisations, have jumped aboard the buy-out bandwagon. The acronym LBO (leverage buy-out) has become a household name and banks have given up trying to translate the ugly Anglo-Saxon phrase into an adequate French alternative.

Leverage refers to the borrowings needed to finance buy-outs. In the few deals which have taken place in France, the bought-out company's debts have on average been around three times shareholders' funds, rather lower than in the U.S. There is no denying the need to improve the environment for LBOs in France—in particular to resolve the thorny succession problems facing many medium and small businesses when the boss dies or decides to quit. As many as 10 per cent—amounting to 2,000 companies per year—of French corporate bankruptcies have been estimated to be caused by the inability to find a successor when the patron who built up the business disappears from the scene.

But although scores of potential buy-outs are under study across the country, only a handful up to now have been completed. The first major buy-out is generally acknowledged to have been for Quercymet, based in Cahors in South West

MANAGEMENT and leverage buy-outs are different names for the same kind of deal whereby a company or one of its offshoots is purchased by people involved in running it.

The vendor might be a receiver, or a private or public group wishing to dispose of peripheral or poorly performing assets. However, there are several different reasons why a buy-out might be achieved.

In its simplest guise, a buy-out happens when directors purchase poorly performing assets from their old company at a discount to book value and finance the entire deal

through bank borrowings. They get full ownership, and usually bring in an outside manager—in the U.S., often a buy-out specialist—to hold their hands for the first few years.

Sometimes, a merchant bank or venture capital body like 3i will put up loan finance in exchange for an option on some of the shares.

Buy-outs get more complicated when the directors cannot borrow enough to provide working capital for the newly independent company. Most banks will only lend against the value of the assets being acquired.

In this case—the most

common kind of deal in the UK—a venture capitalist will put up equity, generally in a mixture of ordinary and redeemable preference shares. The latter carry no votes to allow the management to retain control, and they also guarantee that investors get at least some of their risk capital back when the shares are redeemed.

The classic leveraged buy-out will have three sources of funds: bank loans, the management's personal stake, and outside investors' equity capital.

A number of buy-outs have taken place recently at a premium to net assets, with several institutional investors

getting involved. There might also be a formula by which the management's equity stake increases according to performance.

A recent example is the £2m acquisition of Viscose Closures, a UK plastic and metal cap manufacturer, from a subsidiary of the French conglomerate, Chateaux SA. The managers borrowed £500,000, raised the rest from their own resources and three institutions.

County Bank Development Capital, Citicore Venture Capital and 3i, all certain profit targets are met, the management moves from a minority to a controlling position.

arrange or finance management buy-outs, with the arrival in recent years of groups like Candover Investments and Citicore Venture Capital, the UK corporate venture capital arm of the U.S. commercial bank.

A survey by the Economist Intelligence Unit found that there were more than 40 such institutions operating in the UK last year, as against a mere handful at the turn of the decade. 3i, the oldest and largest of them all, reckons to cover about half of the UK management buy-out market, where it invested £24m in 77 deals in 1984.

Contributing to this growth has been the formation of the UKSM just over four years ago, followed by the passing of the 1981 Companies Act, which made it easier for private companies to provide financial assistance to purchasers. Yet there are signs that the honeymoon period for UK management buy-outs is coming to an end in a way that could contain

messages for other European countries attempting to jump on to the bandwagon.

While the flow of deals is still increasing, the climate is getting less easy for management teams to buy their way to independence. Rising prices on the public equity markets have allowed sellers to be more demanding, while the success of some of the earliest manage-

ment teams were the only buyers, says Derek Sach, a director of 3i. "They knew that the owners were faced with possible liquidation if there was no sale. Now we are seeing a lot of management buy-outs being lost to larger companies which want them for their own expansion."

Recent examples include the Prestige homewares group, which was snatched from the arms of its management at the last moment by the leading tobacco company, Gallaher. Coler Cranes, an Arrow offshoot, which went to Grove Manufacturing of the U.S. last October, and the Yarrow warship yard, which is firmly in the sights of Trafalgar House.

Now that its management has grown in the towel after failing to win the support of the workforce.

Their managements found themselves on the "wrong side" of an unequal fight. Their top of an unequal fight. Their top of an unequal fight. Their top of an unequal fight.

As in so many corners of the venture capital business, the UK experience echoes what has already taken place in the U.S., where around 400 to 500 management buy-outs take place every year, according to Jim Mahoney, publisher of the National Review of Corporate Acquisitions.

"There was a time when managements could just write their own ticket. Now there are more parties competing in the buy-out market, which makes it harder to go up," says Mahoney. One result has been to push up the amount which buyers have to borrow to finance acquisitions, sometimes to as much as nine times shareholders' funds.

But highly geared buy-outs have also attracted attention from the U.S. Securities and Exchange Commission about the risks of bankruptcy. Sach has similar worries for the UK.

"Prices have certainly gone up, and some management teams are seeking funding which in the long term they won't be able to sustain," he warns. Buy-outs frequently start independence with the benefit of stock profits and surplus plant inherited from the former parents, so it can take two years or so for debt servicing problems to become apparent. The current failure rate of 3i-financed buy-outs is one in seven, as against one in three for start-ups, but that could easily change as the honeymoon comes to an end.



Michel Biegala: tax changes a step in the right direction

Finance ministry officials reject charges of bureaucratic inertia and say that the special committee dealing with management buy-outs is dealing with about 15 cases a month, although each dossier takes about two months to study. Out of around 40 buy-outs under study, 10 have been given the green-light, they say.

"Things have taken time to start up," says Jean Peyrelevade, the chairman of the Compagnie Financiere de Suez conglomerate, which has realised one small buy-out and is in the process of putting together another four or five.

But the problems (with the Finance Ministry) are on the way to being solved. We're on the move." Others are not so optimistic.

Claude Etchegaray, former chairman of the state Usinor steel group, who now heads car accessories company Neiman, was chosen by the Paribas investment bank to supervise its FF40m Cofidic management buy-out fund established a year ago along with retail bank Credit du Nord.

Cofidic is on the way to putting in place two operations, based on the July 1984 law, under which it and other institutions inject capital to assist managers to buy out their own company.

The transactions are put into effect in two stages, by setting up a holding company (owned typically 50 per cent by managers and 50 per cent by Cofidic) which then takes a majority stake in the company being bought out.

The process of obtaining the necessary authorisations to benefit from the special advantages is "terribly long," says Etchegaray. He believes it will be some time before French buy-outs pick up steam.

One impediment to the process is the reluctance of major French corporate groups to spin off profitable parts of their business which have become peripheral to their mainline operations. Another is the difficulty of finding managers who want to launch themselves as entrepreneurs. "The French are not like the Americans," he says ruefully.

The July 1984 tax changes make it possible for managers taking part in buy-outs to deduct from their taxable income interest payments—of up to FF100,000 per individual—on loans to finance the operation. Additionally, the holding company is allowed tax breaks which permit it to raise what are effectively interest-free loans to finance the operation.

According to Michel Biegala, head of the French arm of the British Institution 3i (Investors in Industry), owned by nine London and Scottish banks and the Bank of England, the July measures

are a step in the right direction but need to be improved.

Like Cofidic, 3i is pushing for a softening in the Government's condition that buy-outs can benefit from tax exemptions only if the majority of bought-out company is owned by existing employees.

"With many companies set up after the war, the boss—like his key personnel—is a self-taught man without formal business training," says Biegala. "The chairman is in his 50s, but often his children don't want to succeed him. They are more interested in going into one of the professions and they have often watched their father working seven days a week over the past 30 years. Since the other main executives are mostly in the 50 to 55 age range, don't want to take on the additional risks of ownership, and are often managerially not up to scratch, the best option really is to find an outside buyer."

3i, which set up its Paris operation two years ago, has so far made 11 investments in small French companies to add development capital, but has not yet put together any buy-outs, partly because of the constraints of existing fiscal conditions.

Biegala is studying 30 LBOs, of which 10 are serious potential cases, but only three would qualify for tax incentives under the present rules. "The main necessity is for flexibility," he says.

The answer is either to ease the rules to allow outsiders and existing employees to pool funds in takeovers (a step which both Biegala and Etchegaray hope will soon be allowed).

Biegala points out that allowing in outside managers with cash of their own can greatly increase the chance of a successful buy-out by allowing larger groups to be taken over increasing the overall finance available. He clearly has an eye on 3i's fortunes too.

"If investors want a chance to take their money out of the

## European climate not what it was

BY WILLIAM DAWKINS

THE FRENCH Government's faltering attempts to get management buy-outs off the ground are among the first indications of a trend which venture capitalists believe will gain increasing strength throughout Europe.

Yet France's problems in clearing the way for managers to buy their own companies also provide a telling illustration of why many Continental countries offer a less fertile ground for this kind of deal than the UK, which has taken this U.S. invention more to heart than any other European nation.

The technique is almost unknown for instance, in Europe's largest economy—West Germany—where a corporate culture that encourages large companies to keep their employees intact and puts a high value on job security has provided little incentive for local managers to try to strike out on their own.

However, a significant crack in German corporate conservatism emerged last August, when Siemens, the electrical giant, funded the independent development of an electron beam micro-

chip test by eight former group research scientists. While not a management buy-out in the formal sense of a band of directors acquiring an existing subsidiary, it was the first major example of a friendly spin-off from a leading German company.

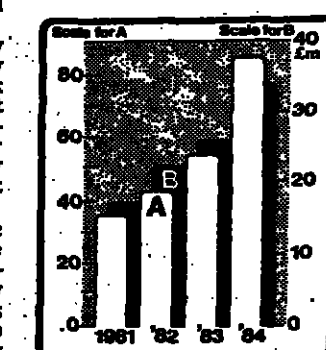
A relatively inactive new issues market has also dampened any potential management buy-out prospects of cashing in on their efforts and offering investors a chance to realise their profits by selling shares to the public. Only 21 companies joined the German stock market last year, a big improvement on earlier years, but still a paltry comparison with the 185 groups which joined British listed and unlisted securities markets in 1984.

Amsterdam's more lively new issues market—spurred on by the arrival of a secondary stock market three years ago—might explain why management buy-outs have become more popular in the Netherlands than in any other European country except for the UK.

Dr Evert Elbertse, economic secretary for the VNO, the Dutch industrialists' association, says: "It is a very rapidly expanding sector, which doubles its activity year on year. There was a tendency for companies to form large integrated groups, and now they are recognising that they have too many activities which are remote from their main operations."

In that sense, the Dutch experience echoes the disillusion felt by U.S. companies in the mid 1970s, and later their UK counterparts, with large unwieldy structures which had no obvious commercial logic. Dutch management buy-outs have also been assisted by the arrival four years ago of government-backed venture capital institutions which have so far financed 17 deals, probably half of the total, Dr Elbertse estimates.

The UK has seen an even more dramatic expansion in the number of bodies willing to



A. Number of buy-outs staged with venture capital investments

B. Money invested in buy-outs by venture capital institutions

Figures are estimates for the UK only and exclude investments made by 3i. Source: Venture Economics Ltd.

ment buy-outs to get public attention has attracted the competing attentions of corporate buyers.

Flotation successes include companies like the Wards Stores plastics group, Instem electronics and Sarasota Technology, which all went public last year at valuations many times their original purchase prices.

## Business Opportunities

READERS ARE RECOMMENDED TO TAKE APPROPRIATE PROFESSIONAL ADVICE BEFORE ENTERING INTO COMMITMENTS

## HYDROCARBON EXPLORATION

DEPARTMENT OF ECONOMIC DEVELOPMENT

(NORTHERN IRELAND)

PETROLEUM PRODUCTION ACT

(NORTHERN IRELAND) 1984

The Department of Economic Development hereby invites applications for landward petroleum licences (which cover both exploration and production) in Northern Ireland. It is envisaged that two licences will be awarded for areas in east Antrim and one licence for an area covering adjacent parts of east Tyrone and south Londonderry. The closing date for the receipt of licence applications is 28 June 1985.

The Department also gives notice that it has available for purchase at a cost of £500 a package of information on the petroleum potential of the above areas. This information includes an assessment of prospects in North-East Ireland by V. C. Illing and Partners; a synopsis of the 1981 and 1983 seismic surveys in parts of Counties Antrim and Tyrone, Londonderry and Armagh; a technical report by Mr T. J. Papworth, Geomarine Exploration Incorporated on the processing of seismic data acquired across areas covered by surface basalt; and a synthesis of available geological and geochemical data.

The Department will be pleased to arrange, on request, discussions with Dr L. V. Illing and Mr A. E. Griffith (Director of the Geological Survey of Northern Ireland) in London during March and April 1985 for those companies which purchase the information package. Discussions of the geographical data can also be arranged with Mr Papworth.

Companies wishing to purchase the package, which includes details of licensing terms and arrangements and a copy of a map showing the areas to be licensed, should forward their remittance (cheques to be made payable to "Department of Economic Development") to:

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DEPARTMENT OF ECONOMIC DEVELOPMENT

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6. We are principal in each of the above public companies.

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## Controls over state industry

THE BRITISH Treasury and the nationalised industry chairmen have been circling each other warily for six months now without reaching agreement over the sensitive issues involved in the Government's desire to tighten and standardise its control over state monopolies.

The main difficulty arises because the Treasury, increasingly anxious to assume the role which has hitherto been largely undertaken by the individual sponsoring departments, has twice published detailed proposals for a new and reformed Nationalised Industries Bill without first laying down the framework within which they are to apply.

If the chairman and board of a state industry are to be no more than a *de facto* management committee for the Government, then clearly the Treasury can apply whatever targets, conditions and controls it likes and demand their instant implementation. Apart from the fact that Whitehall does not always know best, particularly about business management, the key drawback is that it would be impossible to attract the requisite calibre of personalities as board members and chairmen.

## Dynamic

If, on the other hand, the chairmen are to be dynamic businessmen charged with organising the best management possible on the part of the state-owned companies, then they need some room for manoeuvre.

Mr Peter Rees, Treasury Chief Secretary, who can genuinely be said to have the taxpayers' interest at heart in this issue, should consider seriously the suggestion made by the chairman last week that they should quickly draw up a discussion paper on the relationship between the industries and the Government. But this conundrum has been around for some 40 years. Nationalised industries and their finances are firmly in the political arena and in the end it is the politicians who have to give the lead.

Most of the Treasury arguments are soundly based. For example, the higgledy-piggledy collection of separate state industry statutes needs to be recognised on a more rational and consistent basis. There is no reason not to have common practice on matters such as borrowing powers, presentation

of balance sheets, rules of appointment of board members, audit procedures and the like. The present patchwork of historic cost and current cost accounts should become a uniform system of current cost accounts modified to take some account of inflation.

## Comprehensible

This would not only improve financial control: it would make more comprehensible to the public—the true state of affairs. The present practice of minimising profits with current cost accounts and minimising losses with historic cost is a bewildering nonsense.

It is also clearly right that the Treasury should be able to set financial targets, spanning three to five years, with statutory backing. And within this, it is in the long-run interests of the taxpayer that rational economic pricing should be aimed for, unless other considerations, such as the crucial economic effect of energy price changes on consumers, occasionally dictate otherwise.

Each industry needs a different approach which can be achieved only if the chairman is in broad agreement with the general policy objectives of the Government of the day. Some vigorous exchange of opinion on issues can be both desirable and healthy. But if common policy objectives cannot finally be agreed, the Government needs the flexibility to change chairmen, albeit with appropriate compensation and, perhaps, only after trying to agree policy objectives with the entire board.

However, there is a limit to the Government's legitimate sphere of intervention. On the agreed board and chairman are in place, they need to be left, within reason, to get on with running their industries in the way they consider best for meeting their medium-term targets. Persistent intervention and target-changing by the Government for short-term economic reasons, such as difficulty with the annual autumn public spending negotiations, should be deterred strongly, perhaps by requiring such intervention first to be put to and approved by a House of Commons Select Committee.

There may not be enough consistent ministerial support now—but too much would damage effective management. The chairman and Treasury should now stop the circling and come down to earth.

## Common sense in Central America

TIME and again passion and rhetoric have undermined a rational approach to solving the conflict in Central America. It is, therefore, gratifying to be reminded that a minimal level of common sense can prevail.

The Contadora peace plan has long seemed the one viable project capable of reconciling the Marxist-orientated Sandinista regime in Nicaragua with its conservative, U.S.-backed Central American neighbours, Colombia, Costa Rica, Panama and Venezuela—the Contadora nations—have put an enormous amount of energy into the plan since it was first mooted two years ago.

Yet, since December, the Contadora initiative has been paralysed by a diplomatic row between Costa Rica and Nicaragua over an obscure incident involving the right of asylum of a Nicaraguan student in the Costa Rican embassy in Managua. Costa Rica, supported by the rest of Central America, maintained that if Nicaragua failed to respect the right of asylum, then it could not be expected to respect any regional peace treaty.

Thankfully, the matter is on its way to being solved, largely as a result of informal contacts with the two governments by the members of Contadora. The Nicaraguan student is to be given asylum, and as a symbolic quid pro quo one of the prominent anti-Sandinista politicians operating from Costa Rica is to be expelled. To have achieved this from such apparently entrenched positions suggests that the Contadora nations can be effective mediators. Just as important, it reaffirms what had been sorely lacking in recent months among the countries of Central America—a political will to move towards agreement on the peace plan.

## Concession

The Contadora plan centres on a series of agreements on the withdrawal of foreign troops and military advisers, verifiable levels of weaponry and armed forces strength, plus guarantees of non-aggression. These are not easily attainable

objectives, but they are possible on two basic conditions.

The first is that Nicaragua is willing to provide the necessary facilities to verify its own troop levels and the departure of most of its Cuban and East European advisers. Last week, President Ortega offered some new concessions in respect of both new armaments and cutting back on Cuban advisers.

The second condition is that the U.S. throws its weight behind the plan. The U.S. administration is still clearly split over whether to do a deal with the Sandinista Government or to push for its removal by supplying the "contra" forces. Last week, for instance, the White House dismissed President Ortega's offer on curbing the acquisition of new arms and sending home some Cuban advisers as a propaganda ploy. But the same day, the Secretary of State, Mr Schultz, announced he would meet President Ortega in Montevideo over the weekend. The meeting produced no surprises, but it suggested that at least part of the U.S. administration is still anxious to maintain a diplomatic option.

However, this diplomatic option appears to play second fiddle to President Reagan's main current objective. He appears determined to obtain congressional support for new covert funds for the contras, whom he now refers to as "freedom fighters".

President Reagan is thus in the curious position of seeking public support for covert funds to overthrow a government with whom the U.S. still maintains diplomatic relations. This is a position which many of America's friends both in Latin America and Europe find uncomfortable to support and believe damaging to America's world image. They want the U.S. to give wholehearted backing to a treaty that will ensure the responsible behaviour of the Sandinista regime, rather than attempt to overthrow it.

THE NEWS that the Al-Fayed brothers were prepared to pay no less than £815m for the privilege of owning House of Fraser provoked scarcely any comment on the trading floors of the Army & Navy store in London's Victoria yesterday morning.

The sales assistant at the tobacco counter greeted the suggestion that he would soon be stocking up with Egyptian cigarettes with a very smile and the comment that he would stock anything that sells. Five years of newspaper headlines and guerrilla warfare in the boardroom have had no perceptible effect on the attitudes of the shop floor.

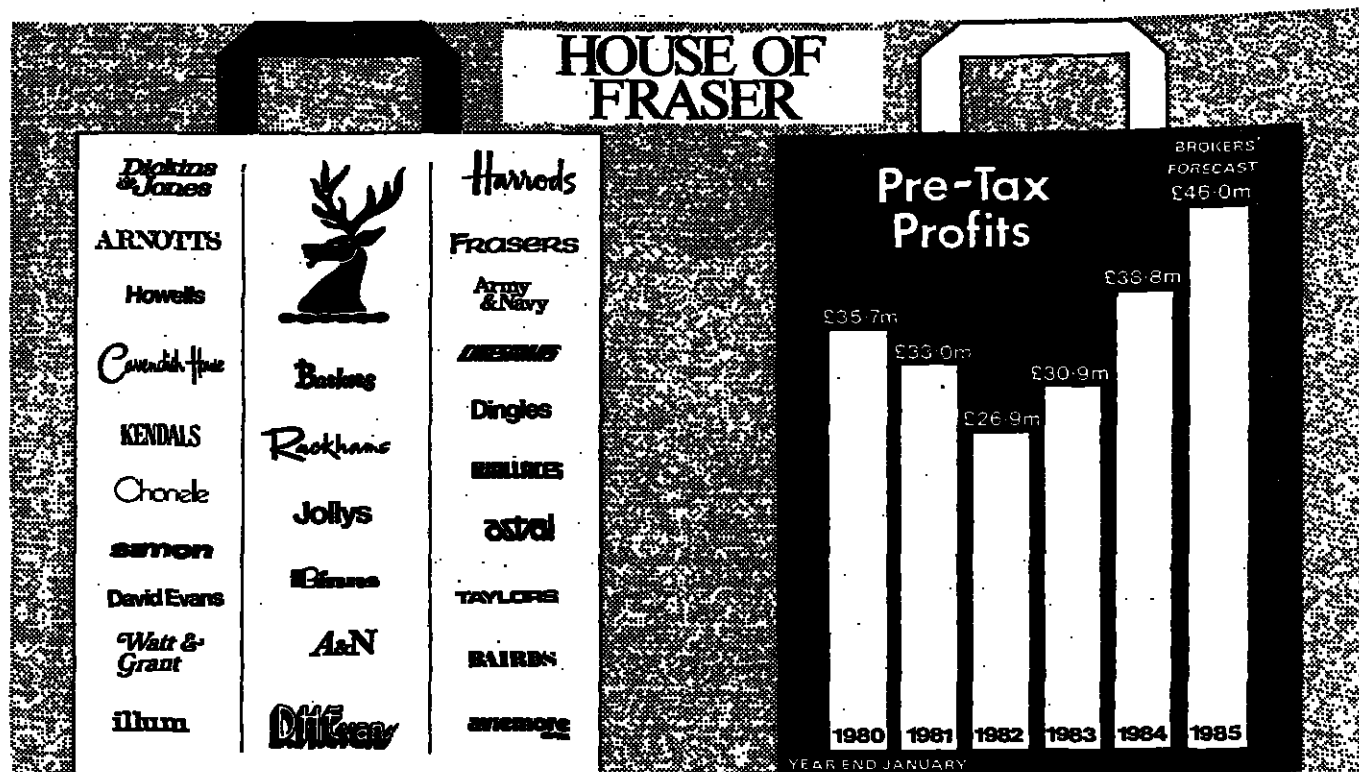
Yet something must have changed in that time. When, in 1980, Professor Roland Smith was appointed chairman of House of Fraser to improve the profits of the department stores and assist an attempted takeover by Lorrho, House of Fraser was valued in the stock market at around £150m. Yesterday's agreed bid of 400p per share was worth more than four times that figure and the market believes that Lorrho might offer even more. Lorrho sold its 29.9 per cent stake in Fraser to the Al-Fayeds in November for 300p per share but has hinted since then that it would be interested in making a fresh bid for the company.

Prof Smith admittedly arrived at a particularly low ebb in the company's fortunes. The group's department stores were widely seen as lacking central direction and the chairman, Sir Hugh Fraser, then chairman, and his fellow directors. The stores themselves were run on very conservative lines and had failed completely to respond to a changing retail climate.

House of Fraser, very simply, had two assets: Harrods, one of the finest brand-names in the world and a spectacular retailing prospect; and roughly 100 other stores which would have been worth far more to a property developer than to a retailer.

It is the first of those assets which attracted Lorrho to House of Fraser and has now enticed the Al-Fayed brothers to make a bid. The Egyptians are familiar with illustrious brand-names—they already own the Ritz Hotel in Paris—and clearly envisage making more out of the Harrods name. Extending its use in the UK might undermine the exclusive reputation of the Knightsbridge store but, as Prof Smith points out, the name could be used internationally as a franchised brand and could even add a touch of class to financial services.

Moreover, Harrods itself is making splendid profits at present, thanks to the strength of the U.S. dollar. Harrods normally accounts for about half of House of Fraser's profits but, with American tourists thronging the doors, the proportion is currently even higher. In the year to January 1985, Harrods could have made a



Graham Lever

profit of about £30m on sales of over £300m.

But no one would suggest that Harrods alone is worth £800m or more. Whoever buys House of Fraser also inherits a string of department stores, trading under a host of different names, up and down the country. Besides owning the top people's shop, House of Fraser is by far the country's largest operator of department stores and the general view outside the industry is that the hour of the department store is past.

This is an attitude that, not surprisingly, makes House of Fraser a difficult company to manage. The group's deputy chairman and managing director, Sir Bill Crossan, is particularly vehement on the subject: "I've been working in this business for 43 years and the arguments now are the same as they were then. The fact

remains that we've held our share of the retail market."

House of Fraser points out that many of the UK's exceptionally strong chain stores—notably Marks and Spencer—are now moving in the department store direction by offering a wider range of product. Fraser is convinced that, so long as the merchandising is good, department stores have a prosperous future. If it is right, the eventual owners of House of Fraser may be acquiring an attractive investment. If it is not, £800m will soon look a very luxurious price.

If anyone can make a go of department stores, it should be House of Fraser. The group occupies prime sites in many cities and the store names—such as Dingles and Rackhams—attract a good deal of customer loyalty. The Harrods

association does the other stores no harm while those outlets are themselves big and prestigious enough to attract top quality retail management.

"Our policy," says Mr Crossan, "is to have the best store in each town; it will give the best service and be the most pleasant place to shop." The problem is that, like the other department store groups, House of Fraser is being squeezed hard by the chain stores on one side and a new generation of specialist retailers, such as Habitat or the rejuvenated Burton Group, on the other. As the quality of merchandise has improved in the chain stores, department stores have lost their premium appeal and are being driven to try to attract a younger and less affluent market.

Yet they retain all the

traditional disadvantages of the department store concept—a very wide range of goods which entails high stock levels and makes it difficult to establish a single merchandising image.

House of Fraser is alert to all these difficulties and stresses what has been done already to overcome them. Over the past two years, the group has undertaken capital expenditure of around £80m, mostly to refurbish its existing stores. It has, when necessary, sold underperforming assets or reduced them to a profitable size.

Barkers of Kensington, for example, is generating the same amount of sales as it did three years ago with double the floor space. Then it was losing £1m a year; now the store is profitable. Indeed, Fraser expects that every one of its outlets will have made money in the

## BROTHERS WITH A PASSION FOR PRIVACY

"I ASSUME you've got the cash to bid?" The question was addressed to Mohamed Al-Fayed by a House of Fraser director during last week's secret negotiations by the Al-Fayed family for future control of the stores group.

It was a question with some point. Little is known in the business community about the business affairs of the Al-Fayed family in Britain. Bankers usually observe that they are "immensely rich" and then become rather taciturn on the detail.

But the established worth of the Al-Fayed family was, nevertheless, enough for Britain's largest merchant bank, Kleinwort Benson to say that the family were able to finance the take-

over of the Fraser stores group.

The Al-Fayeds are said on paper to be worth over £1bn. The Al-Fayed brothers—Mohamed, the brains of the business empire, Ali and Salah—are fourth generation Egyptians. Their great grandfather founded the family's financial dynasty growing cotton on the banks of the Nile and exporting it in his own ships to the UK.

Mohamed has a fleet of freighters in the Mediterranean. His business interests include the Ritz Hotel in Paris and a large block of property in Park Lane in London's Mayfair. The Mayfair property is used as a London base and is defended like a fortress. Not only are the Al-Fayeds obsessively

private in their business dealings; they are also concerned about their safety. They own property in New York, and a Scottish castle. Mohamed's son, Dodi, was sent to Sandhurst.

The Al-Fayed family is probably best known in British business community for the role it played in helping to secure contracts in the Middle East for British construction companies. They even had an earlier association with Lorrho when the family, which held a large stake in Cresta at one time, sold it on to Mr "Tiny" Rowland. An Al-Fayed sat on the Lorrho board at one stage but the relationship was by all accounts not happy.

More recently, the Al-Fayeds are understood to have played a role in securing the Sultan of Brunei the ownership of the Dorchester Hotel. Mohamed and Ali have sat on the Fraser board since January following the purchase of their shareholding where relations are said to be "harmonious." Professor Roland Smith, the Fraser chairman, meets Mohamed about once a week.

The Al-Fayeds envisage no change in the management and employee structure of Fraser. Prof Smith is expected to be asked to become full time chairman and chief executive. "They are interested in broad policy and not detail," said Prof Smith yesterday.

John Moore

## Inside politics of space

Jake Garn, the U.S. senator who is due to fly in a space shuttle as part of a U.S. shuttle mission, may have cause to regret his taste for adventure before the four-day mission ends.

The price he must pay for being the first professional U.S. politician to travel in space will be to act as a human guinea pig for study by the rest of the crew.

A fit and proper role for a politician, some may argue. Poor Garn is to be wired with sensors so that whatever happens inside his body will be a matter of public interest. Quite the most undignified part of the job will be a session during which microphones will be attached to his stomach for a live playback of rumbles within.

The other astronauts will be particularly interested in recording Garn's reactions when he is feeling sick. Unhappily for him, it is a likely happening. Most space travellers suffer at least some degree of nausea during the first couple of days aloft. During these unpleasant spells the luckless politician will be expected to fill in charts to indicate just



"I've never known it so crowded—they can't all be rival bidders"

## Men and Matters

how rotten he is feeling. The astronauts seem to have their own means of ensuring that space should not become just a playground for the politicians.

## Time stamped

The pace of life in England is not far behind that of Japan and the United States, it seems—but, perhaps, healthily short of that "chronic sense of urgency" that begets heart disease, ulcers and alcoholism.

Robert Levine, a psychology professor at California State University, has just published in the U.S. magazine, *Psychology Today*, the results of his research into the time-consciousness of six countries—Japan, U.S., England, Italy, Taiwan and Indonesia.

Levine used three basic measurements: the accuracy of clocks in banks, walking speed in cities, and the time taken by post office clerks to sell a stamp.

Japan came top in all three categories. Its postal clerks took an average 25 seconds to sell a stamp; and its bank clerks were average half-minute fast or slow.

The U.S. occupied second place in two categories. But Americans were not so quick on their feet as the English. They clocked the second fastest time walking the streets of London and Bristol at a rate of 100 ft in 21.6 seconds, against the Americans' 27.5.

Having just queued 15 minutes for a postage stamp, it was a bit surprising to find the British Post Office was third fastest at selling stamps. But apparently the time was only clocked at the counter.

And the difficulties of buying a stamp in London, anyway, are nothing compared with Levine's experience in Indonesia. "In

Jakarta, he was directed outside a post office to a group of posting stamp vendors. In another city he found the staff of the post office playing volleyball when he arrived on a Friday afternoon.

## Pop pills

A notable chapter in the history of the drug industry closed last week with the expiry of the U.K. patent for Valium. Hoffmann-La Roche's popular tranquilliser. A welcome replacement for barbiturates in the 1960s and 1970s, Valium was long the world's best-selling drug with sales over \$1bn worldwide.

Sales have been falling off, however, for some time. Excessive use of the product, it was discovered, can lead to addiction—a problem to which Hoffmann-La Roche readily admits.

But nothing to rival it for relieving anxiety has yet been found either by the Swiss group itself, or its competitors. Valium now ranks sixth in the U.S. league table of top-selling drugs with sales of around \$500m. SmithKline's Tagamet, an ulcer drug, is in first place, followed by heart drugs and a birth-control pill.

In Britain, Valium has taken a knock from the Government which has decreed that NHS doctors may no longer prescribe it by name after April 1. William Gerrard, Roche's UK chief executive, said yesterday that the group had not yet decided how to cope with this setback. Had he tried taking Valium himself to help ease the trauma? "I've only tried it before going to the dentist," Gerrard admits. "My dentist suggested it."

## Takeaways

Earnest commentators in China are trying to shore up the bas-

tions of true communism in the teeth of a seemingly happy decline among the people to worldly thrills and fun.

The party newspaper, *People's Daily*, has registered shock and horror at lotteries on TV which preceded the Chinese New Year holidays.

"Disgusting" and "shameful" are the key words in the paper's blast at the new custom of raffling colour televisions before the cameras as entertainment for the labouring masses. Nevertheless, some 30m people participated in that particular draw.

"Do lotteries and prizes reward people who contribute to the country's wealth and power or to people's happiness?" the paper thunders. "No. Or reward inventors and hard workers? Again, no."

"... it makes people desire what they haven't got and crave riches and it corrodes their minds."

And it is not just Chinese TV that has taken to capitalist methods. "Buy a bottle of handcream and win a holiday in Canton," proclaims one toiletries company.

Missed the boat

One important member of the House of Fraser board was missing from the weekend meeting to consider the offer from the Egyptian Al-Fayed family. Aleck Craddock, who runs Harrods, was hundreds of miles away, oblivious to the rapidly changing fortunes of the group.

"He cannot be contacted," said Prof. Roland Smith, Fraser's chief.

Where was Craddock? On a Nile cruise, said Smith. "We have tried the ports but have not been able to reach him."

But while Craddock remained undisturbed, Smith himself has had his leisure moments interrupted by Mohamed Al-Fayed. "He is the only person to ring me up while I've been watching a match at Old Trafford," said Smith. "Not even Tiny Rowland did that."

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## FOREIGN AFFAIRS: ARMS CONTROL

## The Russians have problems, too

By Ian Davidson

THE MOST interesting feature of the U.S.-Soviet arms talks, which start in Geneva next Tuesday, is the apprehension which they are already inspiring in Europe.

Officially all European governments are delighted that the superpowers are going back to the negotiating table on this most sensitive of all issues; privately, they fear that the talks will set the stage for an almighty bust-up, either between themselves and the Americans, or between the Russians and the Americans, or both. Above all, they fear that the Russians, who used the Euro-missile talks in 1982-83 merely as an excuse for a propaganda campaign in Europe, will now repeat the ploy to an even greater effect in the new negotiations.

To greater effect, because on this occasion the governments of western Europe have as little confidence as their electorates in the strategic wisdom of the U.S. administration. Two years ago, the peace movements campaigned against the introduction of new cruise and Pershing II missiles in Europe; but whatever second thoughts their governments may have had about the necessity for the new missiles, at least it could be argued that deployment was justified as a counter-balance to the Soviet SS20 missiles, and in three countries (Britain, Germany, and Italy) deployment has suc-

cessfully started. In any case, the European members of Nato were deeply implicated in the original negotiate-or-deploy decision on Euro-missiles, and they could hardly shift the Americans solely to blame if that decision turned sour in propaganda terms.

## President Reagan's commitment to star wars

The cause of today's anxiety is, of course, President Reagan's commitment to his star wars Strategic Defence Initiative. This has already been denounced on repeated occasions by the Russians, on the grounds that it will be dangerous and destabilising, and they have argued that it will put paid to any progress in the current negotiations. So the first danger is that the Soviet Union will again try to whip up anti-American feeling

in Europe, by representing Washington as the only obstacle to an arms control agreement. The difficulty for the European governments is that they too have profound reservations about SDI. If the U.S. seemed likely to gain a major advantage in defence against ballistic missiles, not merely would the Soviet Union have no incentive to reduce its missile arsenal, it would have every reason (in the crazy world of the balance of terror) to multiply its offensive forces so as to be able to overwhelm the U.S. defence. Admittedly, the U.S. defence, as envisaged by a benign attempt to make nuclear weapons obsolete and impotent, SDI might thus precipitate an even more dangerous arms spiral.

In public, however, there seems to be an emerging tactical consensus not to rock the boat by expressing these reservations *cum populo*. While there may still be the occasional outburst of condemnation, as from Mr Charles Hernu, the French Defence Minister, the new party line, as formulated by Mrs Thatcher, is to draw a distinction between research and deployment: the administration's commitment to research into anti-missile defence technology should be supported, since it cannot be prevented or impeded, but deployment of any new defensive systems must be contingent on negotiation with the Soviet Union.

In practice, there is no other posture that the European members of Nato can adopt in public. They have no hold on the SDI research project, and their private warnings have done nothing to diminish President Reagan's enthusiasm for the enterprise. Until research starts to throw up some conclusions, and a more or less clear line in the American mind about what kind of defence might be feasible or advisable. Those research results could be many years away, after President Reagan has left the scene, and by then the money, the technology and the enthusiasm may have run out. Since the European governments are likely to have even less influence on the American negotiating posture in Geneva than they did during the Euro-missile talks, all they can do is to warn at all costs to avert any damaging Euro-American split, their only option for the time being is to proclaim such sup-



Ronald Reagan: enthusiasm has not diminished.

port for the U.S. position as they decently can.

It may be, however, that European apprehension is excessive. We can be sure that the Russians will do their damndest to whip up public opinion in Europe (and America, for that matter) against the Strategic Defence Initiative, and that will be very wearing on everybody's nerves. But it is not at all obvious that, in negotiating terms, the Russians have a particularly easy hand to play—unless, that is, they are prepared to offer very much more radical arms control proposals than they have ever offered in the past.

In the first place we should assume that, for all their hot words and puffing, this time the Russians will stay at the negotiating table. In 1983 they repeatedly warned that they

would walk out of the Euro-missile talks if the new weapons started being deployed; when the new cruise and Pershing arrived, they walked out of these negotiations, as well as out of the parallel strategic arms talks. In propaganda terms they made a big mistake, since the Americans were still offering to negotiate, and it seems unlikely that they will be in a hurry to make the same mistake again.

Moreover, it is not particularly easy to see how they can translate their objections to the SDI enterprise in its research phase, into negotiating terms which might be verifiable. No existing treaty bans research; no treaty could effectively ban research, except by the most intrusive methods of inspection and verification, which would strike at the heart of Soviet

secrecy; and the Russians are known to be conducting their own research into the same exotic technologies—lasers, energy beams—as are now fascinating the Americans. The chief differences between the superpowers are, first, that the Russians have kept very quiet about their research efforts whereas the Americans cannot stop talking about SDI, and second, that the American edge in computing power could give them an edge in this hi-tech race.

No doubt the Soviet Union will argue that President Reagan's speeches are tantamount to a declaration of intent to break the 1972 ABM treaty, which bans all but the most limited deployment of land-based anti-missile missiles, and certainly excludes any space-based exotica. But the Americans can retort that the Soviet Union is already breaking the 1972 treaty with its large radar at Krasnoyarsk, and that they are perfectly ready to negotiate before deploying anything that emerges from SDI research.

The Russians have repeatedly argued that there is an insurmountable link between defensive and offensive forces, and that there can be no agreement on the one without agreement on the other. In logical terms they are unquestionably right, and it is disingenuous of the Americans to pretend otherwise. But if the Russians want to be able to blame SDI for deadlock, then on propaganda grounds they must probably seek to out-do the Americans in offering reductions in offensive weapons.

It is sometimes said (by visiting Americans) that the sub-negotiations dealing with Euro-missiles may offer the best prospects for progress. If so, this will require a radical shift in the Soviet position, compared with 1982-83. In those talks, despite many cosmetic changes, the Russian position was immutable: they would keep a large number of SS20s, while all new U.S. missiles would be banned. Now that U.S. deployment has started, that is no longer a tenable position; and if they want to enlist Paris and London against SDI, they will stop trying to count the British and French nuclear deterrents as justifications for the SS20s.

In the Strategic Arms Reduction Talks (Start), the U.S. was proposing much deeper

cuts in ballistic missile warheads than the Russians, and whereas the Soviet position remained granite-like from beginning to end of those negotiations, the Americans gradually modified their proposal to meet criticisms that the original plan would have required a blitzer structural adjustment in the Soviet forces. If the Russians now want to persuade Western opinion that their offer on strategic weapons is so attractive as to require, and justify, a renunciation of President Reagan's SDI ambitions, then they will have to come up with something better than they did in Start. Above all, the Soviet Union must wrestle with the probability that, whatever public opinion may think, Congress is unlikely to be impressed with any offer that does not sharply reduce the perceived threat from the biggest Soviet land-based missiles.

A brief sketch of a few of the negotiating and public relations problems facing the Russians does not suggest that the Americans face no analogous problems of their own. The chief U.S. negotiator has publicly admitted that he doubts whether an arms control agreement with the Soviet Union is attainable, and there remains serious doubt whether the administration as a whole is genuinely committed to the

## Endless negotiation and an endless arms race

attempt. Moreover, recent history is discouraging: in the past decade three nuclear weapons agreements have been negotiated—on Peaceful Nuclear Explosions, the Threshold Test Ban, and SALT II—and none has been ratified by the Senate. Ratification of at least the first two would go some way to bolster American credibility.

The paradox is this: President Reagan's commitment to SDI may be bringing the Russians back to the negotiating table, but unless there is a quite unconvincing rapprochement in the strategic thinking of the two superpowers, it is also likely to prevent any agreement. The most plausible prognosis is for an endless negotiation, and an endless arms race.

## Lombard

## Ethics and the civil servant

By Sue Cameron

DURING one debate on Whitehall ethics a civil servant noted that the vows of chastity and poverty were relative for mandarins—and that of obedience was absolute.

The guidance note on civil servants' duties, issued last week by Sir Robert Armstrong, the Cabinet Secretary and head of the home Civil Service, takes much the same line. Prompted by the Poincaré affair, it suggests that civil servants who feel that their work presents them with a moral dilemma should take their consciences up to higher authority in the Whitehall hierarchy for soothing or salvaging. But it insists that those whose ethical problems cannot be solved must ultimately either buckle down and obey orders or resign.

Sir Robert's code is not new—merely a restatement of long-established Whitehall rules. As codes of behaviour go, it is straightforward, uncompromising and honourable. It is also inadequate.

The vast majority of civil servants who find themselves in profound disagreement with their political masters will be unwilling to follow Sir Robert's code because they know that to do so would blight their careers. If they voice their doubts to their permanent secretary, the Civil Service head of their department, they will be marked down as "unsound"—the most derogatory of all Whitehall epithets. And they know it. If they ask to be moved to another job, every effort will be made to accommodate them, but it is unlikely in the extreme that they will ever be given a key policy post again. And they know it. If they agree to carry on in situ, the chances are that they will turn in a lacklustre performance, that their relationship with their ministers will deteriorate. And they are well aware of that too.

What Sir Robert's code lacks is some practical reassurance that civil servants who deeply disapprove of their ministers' policies can own up to the fact without ruining their career prospects. Dr William Plowden, director general of the Royal Institute of Public Administration and himself a former civil

servant, has said that what is needed is a more flexible system which would enable civil servants to move jobs without loss of face and without loss of promotion—at either their own or their ministers' requests.

But guarantees would be needed if this seemingly sensible option were to become a workable reality. Sir Robert's mechanical-sounding assurance—given verbally last week—that civil servants' careers would not be affected if they voiced genuine objections to a particular policy, will have rung hollow in Whitehall.

Able, ambitious civil servants want jobs giving advice on policy to ministers. They are usually less interested in the more routine, administrative posts—even at the same rank. If they voluntarily cut themselves off from policy work in one area, the only way they can keep up career momentum is by transferring to another department. Given the way that Whitehall departments often tend to act like warring feudal fiefdoms, such a development might be an excellent thing in itself, regardless of ethical codes.

Ministers might also benefit. Dr Plowden has pointed out that ministers are sometimes hostile to their officials and he suspects that this reflects "their feeling of insecurity when faced with these serious ranks who may not be on their side."

None of this would stop leaks but—pace Poincaré—Sir Robert himself does not believe that civil servants who disagree fundamentally with their ministers' policies normally react by leaking. He suggests that officials are more likely to leak because of discontent about career opportunities. That seems equally unlikely—if not insulting to the service.

The best leaks come when civil servants in one government department are trying to do down the civil servants—and ministers—of another government department. Where is their loyalty to the government of the day then? And where is their obedience to the Official Secrets Act? It is a nice point for writers of ethical codes to ponder.

## Unions' political funds

From Mr. M. Hancock, MP

Sir—Your report (February 25) that the Conservative trade unionists have decided not to campaign against unions' political funds in the forthcoming elections did not surprise me in the least.

The Conservative Government having passed the Trade Union Act requiring the ballots, obviously has no interest at all in real reform of the financing of parties—they just want to wound Labour, but leave their union system of party funding intact at the end of the day. Thus they did a deal with the TUC to keep the system of contracting-out of the political levy, instead of having a freer, more open system, which would allow unions to opt out of the levy. They are not even requiring unions to have clear ballots on ties with Labour—instead the new law requires ballots on all issues, making the subject of political funds.

Downing Street and Central Office have now instructed the CTU not to campaign at all—so much for CTU independence from the party leadership. For Conservatives are petrified that a real campaign against trade union funding of Labour would both open for public debate the equally undemocratic company funding of the Conservatives and damage beyond repair the old two-party system.

But Labour's position is equally untenable. You report Mr. Bill Keys as saying "We cannot over-emphasise that the ballots are about the retention of the political fund. They are not about affiliation to the Labour Party." Like trade unionists to think this. For they know, as the Union World/MORI poll confirmed, that trade unionists do not support their union being linked to Labour but do campaign on political issues. Union leaders plan cynically to play on this concern in the political arena to keep the political funds. Quite misleadingly, they are suggesting that unions need political funds to lobby ministers, to raise issues in the House of Commons or to campaign on particular policy issues that affect their members, such as unemployment or privatisation. Unions have always been able to finance these activities from their general funds and nothing whatsoever in the new Act changes this position. Moreover, when the strong possibility of such a change being made in the original Trade Union Bill was heavily criticised by Labour and the Alliance MPs, the Government amended the Bill to meet these criticisms. Thus the new Trade Union Act just like the 1913 Act before it does not require

## Letters to the Editor

unions to have political funds for any purposes other than specific party political purposes. In 1983, more than 80 per cent of union political funds were handed over straight to the Labour Party. The SDP has called on unions to ballot their members on whether they should continue to fund Labour in this way. If they refuse to hold this ballot on Labour Party affiliation, we will be obliged to campaign against their political funds. Michael Hancock, (Chairman, SDP Trade Union Campaign Committee and SDP Employment Spokesman) House of Commons, S.W.1.

## Accounting for inflation

From Mr. G. Simon.

Sir—I refer to your comments (February 20) concerning inflation accounting. You mention that accounts are not prepared for finance directors but for the ordinary users of accounts such as shareholders. The implication being that a more accurate measure of management's performance would be gained by inflation accounting than the historical cost method. A set of model accounts prepared by a leading international firm incorporating the present legal requirements totals some 50 pages. I doubt whether most ordinary shareholders find these particularly informative. If these requirements were to be extended as you suggest, the ordinary shareholder would find them even more indigestible. With respect, I doubt whether bankers would be particularly interested in accounts prepared on an inflation accounting basis and that anyone, other than the more academic investment analyst, would pay them any greater attention than they have paid them hitherto.

It is not only finance directors who lack enthusiasm for inflation accounting but other directors and executives who have to spend time on the accounting equivalent of the theological question of how many angels can be assembled on the head of a pin. The time spent on that activity, apart from costing money, could be better spent in ensuring that the products and services of the company with which those people are concerned satisfy their customers and are supplied in the most efficient manner. The result will be that the company will prosper to the advantage of its shareholders and employees.

UK companies already have

greater disclosure requirements than their overseas competitors, many of whom are located in countries very much more prosperous than the United Kingdom. Conceivably one reason for that prosperity is that directors and executives spend more time dealing with the realities of business than the theory of how those realities are presented.

In stating in its recent letter that the responsibilities for developing inflation accounting standards rests with the accountants within the framework of company law, the Department of Trade and Industry was, I suggest, reflecting the practical attitude of its head, Mr Norman Tebbit, an attitude which is likely to appeal to the vast majority of the clients of firms of chartered accountants. G. M. Simon, Manor House, Aston Magna, Moreton in Marsh, Glos.

## Exemption rates for VAT

From Mr. J. Troup

Sir—Mr Inglis (February 27) makes the valid objection to the extension of the VAT exemption to £100,000 that such an extension would create an unfair advantage for traders with turnover below the exemption limit. This does not, however, affect the force of Samuel Brittan's argument that the administration of VAT for the smaller traders is time consuming and expensive both for the trader and for Customs and Excise so that the collection costs of VAT at these lower levels are disproportionately high.

I would suggest a compromise solution to satisfy both Mr Brittan's and Mr Inglis's points. Traders with a turnover of less than £100,000 per annum should be given the option if they so wish of not recovering and charging VAT as at present. Instead they would pay to Customs and Excise on a quarterly basis a turnover tax at an agreed fixed rate representing, in effect, a composite rate of VAT. This rate could either be fixed for all businesses at a level of, say, 7½ per cent or be agreed on a trader by trader basis with Customs and Excise at a level corresponding to the normal net yield to the Treasury from VAT for that type of business. Administrative and collection procedures would be reduced dramatically while the gross yield from VAT should be largely unchanged.

The only difficulty raised by such a proposal is how the rec-

ipient of services from such a trader should be treated for VAT purposes. In principle, however, there would appear to be no reason why invoices issued by such traders should not indicate that the supplier is subject to the composite rate of VAT so that that amount should be available as an input credit to any VAT registered customer. J. E. A. Troup, 14, Dominion Street, EC2.

## Working in Nigeria

From Mr. P. Turtill

Sir—The survey on Nigeria (February 25 and 26) was very interesting and informative. Nigeria has serious problems and the Nigerians are to be admired for the steps they are taking to get their country on to a sound economic course. Indeed they do deserve to be listened to more sympathetically by HM Government but a point that is not mentioned in the articles at all should not be ignored.

Many British expatriates who formerly worked in Nigeria have lost heavily through being made redundant and therefore forced to leave. Although these expatriates have paid Nigerian income tax on their salaries they have not been allowed to remit their money from Nigeria. Over 1,300 cases are known to me and the average amount owed is £7,500 per person. Very often this is many years' savings, in many cases over £20,000 is involved and some of the expatriates have been waiting since 1982-83.

So far the Foreign and Commonwealth Office has not been listened to very sympathetically by the Nigerians when this topic has been raised on behalf of the expatriates. Peter Turtill, 12, Beatty Road, Ipswich, Suffolk.

## Some causes of unemployment

From Mr. M. Clear

Sir—I understand Mr Scott's reasons (February 28) for saying that it is a curious theory that present and past greed of trade unionists is responsible for the current rate of unemployment.

In stating however, that managements are forcing trade unionists into a situation where pay is traded off against jobs to increase productivity, he misses the real point. If productivity is increased in this way it merely emphasises the fact that there were too many people employed in that company originally and this has been one of the prime causes of our lack of competitiveness with Germany, Japan and the U.S.

The problem is only clouded by trying to pinpoint responsibility of one side or the other for current unemployment. Michael Clear, 44, Green Street, W.1.

# THE INSIDE STORY.

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## Lack of intervention lifts dollar

BY PHILIP STEPHENS IN LONDON

THE END of the UK miners' strike brought only a temporary respite for sterling on foreign exchange markets yesterday as the absence of central bank intervention encouraged a further strong rise in the value of the dollar.

In London, sterling closed 0.4 cents lower at \$1.0695, although small gains against other currencies pushed the sterling index up 0.1 to 70.9. The dollar closed at DM 3.760, up 2.5 pence on Friday's close.

The reaction of other financial markets in London to the return to work in the pits was also subdued, with share and government securities (gilts) prices showing only small gains.

Brokers said that the end of the strike had been widely discounted, while the absence of a settlement

diminished the impact of the weekend announcement.

Sterling initially rose sharply against all principal currencies, but the strength of the dollar and concern over the outlook for oil prices left it little changed by the London close.

At broker Phillips & Drew, Dr Paul Neill said the rebound in economic activity after the miners' strike and an expected improvement in Britain's current account might provide some encouragement to financial markets in coming months.

The main focus of the foreign exchange markets at present, however, was the possibility of weaker oil prices as Britain's Central Electricity Generating Board ran down its oil consumption.

"The oil worry seems to be domi-

nant and that is being reflected in sterling," he said.

That view was shared by Mr Ian Harwood, economist at broker Rowe & Pitman, who said that the end of the strike was likely to have little impact at a time when money markets were focusing on the possibility of higher U.S. interest rates and the rising dollar.

Growing expectations of a tightening of U.S. monetary policy contributed to a strong rise in the U.S. currency's value yesterday, with foreign exchange dealers reporting that concern over central bank intervention was the only factor preventing further gains.

The desire of the U.S. Administration for the Fed to maintain its present monetary stance was reflected yesterday in reports of recent comments in Washington by

President Ronald Reagan. In the current issue of Business Week, the President is quoted as saying that he would be unhappy if the central bank shifted to a tighter policy, although equally he felt that the Fed should not ease policy in an attempt to drive the dollar down.

The Bank of England's part in the concerted intervention by central banks over recent days was reflected partially in official figures yesterday, showing that Britain's foreign exchange reserves fell by an underlying \$218m last month to \$15.35bn.

The fall is not an exact proxy for the level of intervention because several other factors affect the level of reserves.

New Zealand dollar declines, Page 4; Currencies, Page 38

## MBB eyes Canadian state aircraft groups

By Peter Bruce in Bonn and Robert Gibbons in Montreal

MESSERSCHMITT-Bölkow-Blohm (MBB), West Germany's biggest aerospace concern, yesterday disclosed that it had begun a study of the business prospects of Canadian and De Havilland, Canada's two nationalised aircraft producers.

The move heightened speculation that MBB might be interested in taking control of, or buying into, either of the companies, which Canada's new Conservative Government is keen to privatise.

The possibility of a West German bid was brought to light last week when Mr Sinclair Stevens, Canada's Industry Minister, paid a brief visit to Munich.

Mr Stevens met Herr Franz Josef Strauss, the Bavarian Prime Minister, who is also chairman of the supervisory board of Airbus Industrie, in which MBB has the major West German share. According to the Canadian Embassy in Bonn, Mr Stevens also met senior MBB officials.

The two Canadian companies are owned by the state-controlled Canada Development Investment Corporation (CDIC), whose president Mr Paul Marshall has been put in charge of privatising them and several other Crown corporations owned by CDIC.

Mr Marshall has said he has received about 13 inquiries - including one from MBB - and hopes to complete the sale of one or both companies within the next six months.

Aircraft industry sources are sceptical that Mr Marshall can complete a sale by then. Canada's links with Boeing, the world's biggest aircraft manufacturer, would make the company's participation in future Airbus programmes highly problematical, they said.

It is also understood that potential bidders, which include several other Western aircraft manufacturers, believe Canada has set too high a price on the two companies, both of which have been plagued by heavy losses.

No estimate of the value of either company has been made. Mr Marshall, however, says any successful bidder would have to provide firm commitments for a manufacturing programme at both companies, which the Government intends to maintain as going concerns.

Canadair, maker of the Challenger executive jet, aircraft parts and defence equipment, had operating profits of C\$4.8m (\$3.45m) in the first nine months of 1984 on sales of C\$322m. Earlier last year, the Government took over C\$1.4bn of Canadair's debt and injected more than C\$300m of new capital.

De Havilland lost C\$12.8m in the first nine months of 1984, down from a deficit of C\$123m a year earlier, on sales of C\$160m.

## Textron puts Bell unit up for sale

Continued from Page 1

\$48m or 29 per cent of the total \$190m in operating earnings in 1983.

Despite this Bell Helicopter, which claims to have built 26,000 helicopters since it was formed - more than all the other leading helicopter manufacturers combined - is still one of the world's largest helicopter manufacturers producing a wide range of equipment. Its major U.S. competitors include the world's largest helicopter maker, United Technologies' Sikorsky aircraft unit, Boeing Vertol and Hughes Helicopters.

Robert Gibbons in Montreal adds: Textron's decision to sell Bell throws into question the future of its new plant near Montreal, and development of a new helicopter engine by Pratt & Whitney Canada.

The programme requires investment of C\$700m (\$507.2m) to improve its performance.

Mr Mohamed Al-Fayed said: "It should be understood that our commitment to House of Fraser is long term. We are determined to retain our present holding. We will also retain all additional shares we acquire, whatever the level of our ultimate holding."

No change in the existing management or employee structure is planned. Professor Smith, who is part-time chairman at a salary of £50,000 a year, is understood to have been asked to take on the job of chairman full time and to become chief executive.

## THE LEX COLUMN Harrods banks on the Nile

The London equity market has been nothing if not consistent in its reactions to the miners' strike. Having persistently refused to worry about it while it was going on, it has now decided not to celebrate its end. A rise of less than 1 per cent in the All-Share yesterday fell some way short of ecstasy.

### Al-Fayed/Fraser

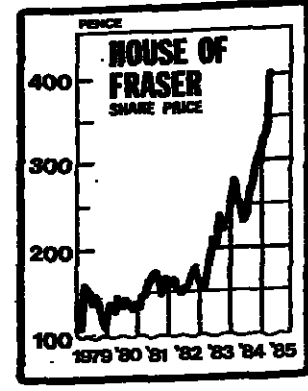
It may be too much to hope for but it looks as if the longest running soap-opera in the stock market - the battle for control of House of Fraser - is at last drawing to a close. Yesterday's offer of 400p a share from the Al-Fayed brothers may not be quite the final word on Fraser's future ownership, but since it represents a price tag of £815m, the chances of a serious counter bid must be exceedingly slim.

That is partly because the bid is about as high as any reasonable calculation could come up with - as a value for the Fraser business. Harrods is probably going to make the best part of £30m this year, out of a pre-tax total of around £50m, and is internationally regarded as an unequalled collector's item among UK companies. Given the likely high tax charge, this means that the Al-Fayeds are proposing to pay a multiple well into the twenties for House of Fraser.

That may be justifiable for Harrods at the top of its form, coasting on a strong dollar, but it is generous in the extreme for Fraser's provincial stores. Arguments as to the value of Fraser on the basis of its property book are equally unhelpful to anyone searching for a much higher price; a 1981 valuation at just over 300p a share may not have increased very greatly, since the rising value of Harrods will have been counterbalanced by low realisable values in less glamorous locations.

There is also some question whether the obvious alternative bidders can afford to enter the auction. Lomax would scarcely be likely to find takers for £700m of its paper, while it would need to work extremely hard to find the necessary cash. In any case, the chance of a move from Lomax depends on word from the Government and the Monopolies Commission, whereas there does not seem to be any pre-emptive action on which the Al-Fayed bid could be referred.

Just as the very success of Har-



ably best placed to reap the benefits from the end of this year. Even in the U.S. Royal's solvency margin is a decent 44 per cent.

Yet 1984 has shown the usefulness of predictions for companies so vulnerable to small changes in their operating environment. Whether or not the 9 per cent increase in claims frequency was a once-and-for-all feature of an expanding U.S. economy, Royal will probably still have to make extra provisions against its Canadian business this year because of a wider judicial interpretation of liability. At this stage, pre-tax forecasts for 1986 could be wrong by £50m.

### Hawley

However hard Hawley Group tries, it has a hard time persuading the stock market that it is a solidly respectable company with good earnings prospects. Yesterday, after the company reported more than doubled pre-tax profits of £21.5m, the share price gained 4p to close at 104p, only just pipping the level it reached in mid-1983.

Much of the City of London's antagonism has stemmed from the company's apparent policy of scattering its paper as widely and as often as possible, raising £48m in two rights issues less than a year apart. Then there was the fiendish complexity of Hawley's stakes and cross-holdings in various subsidiaries, and its new Bermuda domicile.

To its credit, Hawley has not ignored City criticism. After the latest debacle, it will not be in a hurry to issue more shares, and it has been busy tidying up its interests by buying out minority stakes and living small investments off into one holding company. None the less, the structure is apparently still too complicated for even the chairman to work out how much of last year's growth was due to acquisitions.

Without rights issues, Hawley may find it hard to generate enough cash to buy anything large this year. In the unlikely event that Mr Ashcroft does curb his acquisitive appetite, the company could make around £42m in 1985, leaving the shares on a lowly prospective multiple of seven. Ironically, a period of relative calm may be just what the share price needs, giving Mr Ashcroft just what he needs: the ability to use paper instead of cash in future takeovers.

### Royal Insurance

Royal Insurance has opened the reporting season for composite insurers with a dismal set of figures. Fortunately for the three composites with substantial U.S. exposure, stockbrokers have spent so much time revising down their 1984 forecasts that they were prepared even for figures at the gloomiest end of expectations.

Yet pre-tax profits from Royal of only £11.2m scarcely sounds the stuff of hope for the sector, least of all Commercial Union, which reports on Thursday. And it seems a little perverse that CU should put on 1p to 177p, and Royal 14p to 572p - especially as Royal had little to promise for the current year.

For the moment, holders of the composites seem reluctant to part with stock in the belief that a cyclical recovery in the U.S. is under way. This is taking an unconscionable time in arriving. Royal's U.S. premium income increased by 3.2 per cent, or by under 1 per cent without an acquisition. What is encouraging amid the figures is the fourth-quarter 25 per cent rise in premium volume in U.S. commercial lines, as well as some hardening of rates in workers' compensation. Since Royal has the largest proportion of its U.S. business in commercial lines, and pushed earliest for rate increases, it is prob-

## Brussels presses Bonn on car pollution

BY PAUL CHEESERIGHT IN BRUSSELS

THE EUROPEAN Commission is seeking to wean the West German Government from its dash to clean up car pollution by the use of three-way catalytic converters.

The Commission's approach to a crucial meeting of environment ministers, to be held in Brussels this week, was clarified yesterday when Mr Stanley Clinton Davis, the Commissioner for the Environment, made a plea for more time.

"Cheaper and more energy-efficient technologies than the three-way catalytic converter are being rapidly developed and offer good prospects," he told a Brussels conference.

"A balance of environmental, energy and industrial arguments thus suggests that such technologies should be given a chance to prove

The U.S. Environmental Protection Agency announced final standards to cut the amount of lead in petrol by 90 per cent from the end of this year. It is also considering a total ban on lead in petrol.

themselves before steps are taken which might irrevocably commit the European industry to the use of the three-way catalytic converters," he said.

West Germany plans a system of incentives from July next year to encourage the purchase of cars with the converters, which will, in any case, have to be fitted on new cars from 1986-89.

Other countries such as France, Britain and Italy favour a longer-term approach, allowing the development of the new technologies Mr

Clinton Davis mentioned - primarily the lean-burn engine.

The Commission is seeking flexibility on the timetable to be introduced at Community level, leading to emission standards close to those adopted by the U.S. and Japan.

The key factor at the ministerial meeting will be whether the Bonn Government can be persuaded to drop its rigid insistence on a 1986-89 compulsory deadline for the introduction of new emission standards. The only way of meeting such standards immediately is the use of converters.

Allowing scope for the development of the lean-burn engine would also involve greater flexibility on the setting of the emission standards themselves.

John Griffiths in London writes: The issue of exhaust emissions needs to be settled urgently, representatives of the European Parliament warned yesterday.

Unless West Germany reached a compromise swiftly with its EEC partners on terms close to those proposed by the Commission, Europe faced an intensification of the car sales war as a result of uncertainty continuing to depress the West German market, and possibly severe trade friction.

Sweden criticises UK on acid rain, Page 3

## Canada faces EEC curb on syrup and whiskey

BY QUENTIN PEEL IN BRUSSELS

THE EUROPEAN Community has announced a list of retaliatory measures it plans to take against Canadian imports, including maple syrup and rye whiskey, to counter Canadian restrictions on EEC exports of beef.

Formal notification of the measures was given yesterday to the General Agreement on Tariffs and Trade (GATT), following the failure of last week's negotiations to reach an acceptable deal on beef.

It follows a similar move last week in which the Community proposed a total ban on Canadian shoe exports, and increased customs duties on a range of other goods such as fur clothes, car radios, kraft paper, methanol and polyethylene. These were announced as compensatory measures for Canadian restrictions on EEC shoe exports.

The latest list includes increased levies or duties on Canadian beef and pork exports, and other goods

such as honey, mustard seed and mustard powder, and Virginia tobacco.

The EEC notification to the GATT allows a further 30 days for talks to resolve the disputes before the measures come into effect.

The argument over EEC beef exports follows a sharp increase in sales from all five years ago to more than 23,000 tonnes in 1984. Canada has imposed a quota of 2,700 tonnes on EEC sales in the current year, which was exhausted in the first two weeks of the year.

Ireland and Denmark are the two EEC producers most affected. It is understood that last week's talks produced a revised quota offer from Canada of some 6,000 tonnes, but that was rejected by Brussels as inadequate.

The footwear dispute relates to the renewal of restrictions on imports of shoes into Canada last November.

## Sudan officials 'want to sell EEC food aid'

BY QUENTIN PEEL IN BRUSSELS

EEC FOOD aid to the Sudan has been delayed because of disagreement between Brussels and the Sudan Government over how it should be distributed.

Mr Timothy Raison, British Minister for Overseas Development, said yesterday.

Although 150,000 tonnes of food has been earmarked by the European Commission as aid to the Sudan, only 3,500 tonnes has so far reached the country, he said.

Mr Raison, who had talks yesterday with Sig Lorenzoni Natali, the European Commissioner responsible for development aid, said one important factor behind the delay was the desire of the Sudan Government to sell the food it was given by the EEC on the open market instead of having it delivered direct to the hungry in rural areas.

"This would be a way of providing for the urban consumers in Khartoum," he said. "The Government would actually sell this EEC grain

to whoever could afford it. They would then receive money and use it for different purposes."

Mr Raison, who returned recently from a fact-finding trip to the Sudan, said he supported the European Commission's view that the food should be distributed directly to the hungry. However, it was not possible for the Community to distribute its aid as it wished without the consent of the government concerned.

"We are waiting for the Commission and the Sudanese Government to come to an agreement about it," he said. The problem in the Sudan is part of a wider issue affecting much of the EEC food aid programme, Mr Raison added.

The Community has traditionally given much of its food aid to African and other governments in the form of financial subsidy rather than for direct relief of hunger.

that historians would see the strike as "a turning point in the battle against monetarism."

Much of yesterday's exchanges turned on whether an amnesty should be offered to sacked miners. Strongly backed by Conservative MPs, Mr Walker said that men convicted of violence against people or property could not be taken back. He made a distinction between these cases and minor offences which might not warrant sacking, adding that each person would be dealt with individually by area directors and would have the right to appeal.

Mr Neil Kinnock, the Labour leader, drew a similar distinction in an earlier broadcast, arguing for a "common sense approach giving an amnesty to most sacked or suspended miners via the disciplinary procedures. That should be adopted in all cases other than those of a tiny minority, guilty of serious crimes against people or property."

## UK miners face further unrest

Continued from Page 1

back miners convicted of serious offences.

A further indication of a harder managerial line came from Mr Ian MacGregor, the NCB chairman. He made it clear that he and his board officials will follow a policy of consulting directly with the industry's workforce, rather than follow traditional procedures of communicating largely or only through union initiatives.

The pit supervisors' union, Nacods, is at attempt to use the agreement it gained from the NCB last October to force the board and the NUM to reach an agreement. In that agreement, the board undertook that the five pits marked for closure would remain open, and that "they will be considered in common with all other pits under a modified colliery review procedure."

Mr Peter McNestry, the Nacods general secretary, said yesterday that until the union agreed to the modifications in the review procedure - designed to provide an independent element - no pits could be closed under the terms of the agreement.

Mr Scargill said that he was "bursting with pride" over his members' conduct during the strike. He warned once more of "guerrilla warfare" in the pits.

The NUM executive meets on Thursday, when it is expected to decide to keep its overtime ban - a decision which will effectively prevent any negotiations between the union and the board on the outstanding 3.2 per cent wages offer, or any other issue.

Peter Riddell, Political Editor, writes: The Conservative Government is insisting that miners should return to normal working before their deferred pay increase is paid and the appeal machinery for dismissed miners can operate fully.

In a House of Commons statement yesterday, Mr Peter Walker, the Energy Secretary, brushed

aside the decisions by the Scottish and Kent areas to stay out. He argued that it was "in the interests of miners that normal working starts as quickly as possible including the removal of the overtime ban." He stressed the plans for substantial investment.

Both Mr Walker and Mr Peter Rees, the Chief Secretary to the Treasury, refused to give an updated estimate of the cost of the strike. This is unlikely to be revealed until the budget speech in a fortnight on March 19.

In reply to Conservative backbench pressure for changes in the structure of the industry, Mr Walker said that immediate consideration was being given to privatisation.

In general, Mr Walker followed the Government's agreed approach of not gloating, although some Conservative backbenchers did jeer and laugh at Labour Party claims, particularly one by Mr Tony Benn

that historians would see the strike as "a turning point in the battle against monetarism."

Much of yesterday's exchanges turned on whether an amnesty should be offered to sacked miners. Strongly backed by Conservative MPs, Mr Walker said that men convicted of violence against people or property could not be taken back. He made a distinction between these cases and minor offences which might not warrant sacking, adding that each person would be dealt with individually by area directors and would have the right to appeal.

Mr Neil Kinnock, the Labour leader, drew a similar distinction in an earlier broadcast, arguing for a "common sense approach giving an amnesty to most sacked or suspended miners via the disciplinary procedures. That should be adopted in all cases other than those of a tiny minority, guilty of serious crimes against people or property."

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## World Weather

Algeria	F	14	57	Belgrade	F	13	55	Belgrade	F	15	59	Belgrade	F	17	61
Algeria	F	14	57	Bombay	F	12	54	Bombay	F	13	55	Bombay	F	14	56
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## FINANCIAL TIMES SURVEY

## International Futures

FUTURES trading has been one of the big growth international industries during the past 15 years. New futures exchanges have spread all over the world, from Rio de Janeiro to Singapore and Auckland, spurred on by the development of the financial instrument contracts, dealing in a universal commodity—money.

In the leading futures centres of the West—Chicago, New York and London—trading volume has seen explosive growth. Total annual turnover in the U.S., for example, has risen from a mere 13.6m lots in 1970 to last year's record of 149.4m.

The value of these "paper" transactions runs into millions of dollars each day, in other words futures trading is a very large industry which has expanded the base of its operations and the number of participants enormously.

Yet, in spite of the record volume achieved last year, 1984 was by common consent a difficult year for many of the exchanges and a terrible time for many of the brokerage companies.

Caught in a cost-price squeeze, many brokers have been forced either to close, merge with a rich "parent" and/or cut staff drastically.

The overall rise in the volume of trading has tended to mask the problems facing some sectors of the industry, which are suffering badly.

In recent years financial futures, with a steady stream of new ideas and contracts, have provided all the growth, while the traditional commodity markets have tended to fall back.

In the U.S. last year agricultural commodities accounted for less than 33 per cent of the total turnover. Financial futures, including interest rate, currency and stock indices contracts, provided nearly 50 per cent of the total volume.

There was a similar trend in London. Turnover on the London International Financial Futures Exchange (Liffe) nearly doubled to 2.6m lots, while trading in "soft" (non-metal) commodities fell to be-

Volume increases in futures trading have tended to mask problems facing some sectors of the industry. It is forecast that the market could well be in for a period of consolidation, or even contraction

## Fight ahead to maintain growth

BY JOHN EDWARDS

low 4m lots, and turnover also declined on the London Metal Exchange.

The development of the financial futures contracts has provided a tremendous boost for the exchanges and brokers. However, it has brought considerable problems too.

An industry that was devised

In recent years financial futures, with a steady stream of new ideas and contracts, have provided all the industry's growth.

to cater for the needs of traders in raw materials is now being dominated by a totally different set of participants—dealers in money and stocks, financial institutions and banks.

So quite an adjustment is having to be made. This is proving painful for sectors of the industry, especially those tied primarily to the traditional commodity markets.

At the same time the annual increases in the volume of futures trading can be somewhat misleading. On the American exchanges much of the increased business has either come from the "local" floor traders dealing primarily on their own behalf or from big financial institutions seeking temporary "cover" for huge transactions in the cash mar-

kets.

So while turnover is up, there are a reduced number of "players" in the markets and fewer clients for the brokers. Private and trade investors, who used to provide a large share of the action and commissions, have in recent years tended to lose interest in futures, turning their attention elsewhere—notably to the booming stock markets.

With low inflation, and the dollar riding high, U.S. investors in particular have much less incentive than previously to seek the protection against the erosion in value of their money that originally drove them into futures markets.

The exchanges and brokerages, which expanded their services in the 1970s to cater for the upsurge of investor interest in futures now find themselves locked in with big overheads and costs, fighting for business in highly competitive markets.

If low inflation persists in the Western world there will be little incentive for investors to return to futures in a big way. Indeed, it is argued by some pessimists that the industry may have reached a turning point and is in for a period of consolidation, or even contraction, after the years of spectacular growth. Certainly many brokers and exchange officials in the U.S. are predicting a downturn in the volume of futures trading this year.

However, the industry has shown remarkable resilience in the past, to prophets of doom,

and there are many areas of further potential growth. The extension of contracts, based on stock markets, currency and other financial indices, is one obvious area of expansion. Another is options.

In the U.S. options have been booming, and the trial programme for futures traded options, initiated by the U.S. Commodities Futures Trading Commission, has proved a tremendous success.

The programme has restored the tattered reputation of futures options, by bringing them on to the exchanges with strict rules and regulations, and widening their appeal to a very receptive audience.

Stockbrokers are already familiar with options trading, and there is tremendous interest among dealers in the other financial markets. The introduction of agricultural options should also prove more popular with farmers, previously apprehensive about dealing in futures.

On a more fundamental level, there is tremendous scope for greater indirect use of the futures by a much larger part of the community, possibly even unaware of the markets' existence or functions.

This is already happening in the form of customised or packaged services being offered by some financial institutions. The offering of fixed interest rates, with the lender hedging on the futures market, is just one example.

The same technique can be used to provide all kinds of

fixed price services—previously not available—from enterprising suppliers making full use of futures and options.

Many of the most prestigious financial and stockbroking companies, which previously would not have been seen dead on the futures exchanges, are now enthusiastic users of the

The concentration of business into major American exchanges has ominous implications for the rest of the world.

markets, eager to develop new opportunities. Having been converted, they are likely to seek to expand rather than restrict their activities.

Energy futures are also rapidly gaining increasing acceptance within the oil industry as a hedging and pricing media. Bearing in mind the size of the oil sector there is obviously huge potential for growth.

The launch of the first freight futures contract in London in May may also herald a whole new industry.

Nevertheless there are some worrying trends. Fashions change quickly in the financial world in particular, and the futures exchanges have become increasingly dependent on one or two big financial contracts.

There has been a general polarisation. Chicago has

emerged as the triumphant winner in financial futures, in spite of New York's importance as a financial centre.

Replying to suggestions that the growth of the Chicago financial futures was a case of the tail wagging the dog, one broker dryly commented: "The dog has moved to Chicago."

However, New York has established its role as the leading centre for energy and metals futures. Efforts by both the mighty Chicago exchanges, first the Board of Trade and then the Mercantile, to go into energy futures proved to be a humiliating failure, and the exchanges have now decided to leave the field clear for the acknowledged leader, the New York Mercantile Exchange (Nymex).

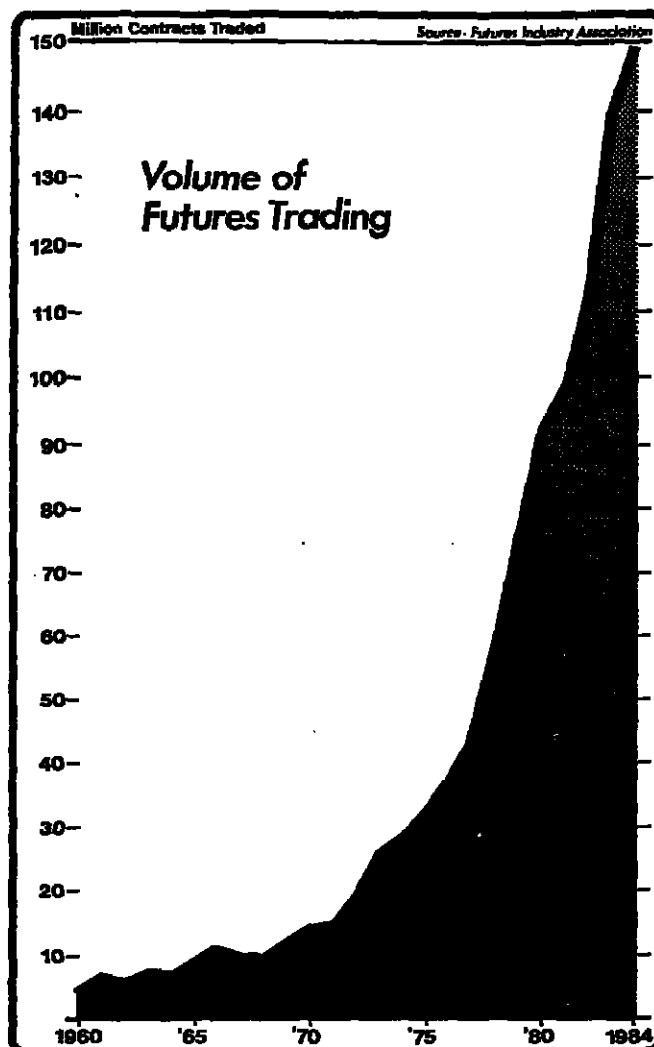
Comex in New York has become virtually the only metals futures trading, with the astonishing decline in support for the Chicago Mercantile's gold contract, not so long ago a close challenger.

This is all part of a general concentration of trading in the big markets offering the greatest liquidity. Adequate liquidity, to get in and out of the market easily without disturbing prices, is of particular importance to larger operators in futures, so the trend has been for the big markets to get bigger, while the smaller markets are finding it increasingly difficult to survive.

This trend towards the concentration of business into the biggest single market places has ominous implications for the rest of the world. With improved communications it is just as easy to trade on the big U.S. exchanges as in London or Singapore.

With American commission houses drumming up business throughout the world and tending to favour the American exchanges, competition from the U.S. is becoming much stronger.

A great deal of publicity has been given recently to the development of international links between exchanges in different time zones as a means of



The explosive growth of futures business in the U.S., with volumes traded soaring to 149.4m during 1984.

generating extra futures business worldwide.

However, some observers claim that the much publicised link between the Chicago Mercantile Exchange and the newly formed Singapore International Monetary Exchange (Simex) is proving to be a costly failure.

Turnover on Simex remains fairly modest, although it is increasing. However, the Chicago exchange has based its success on taking the long-term view.

Comex is going ahead with a plan to link closely with the Sydney Futures Exchange.

The deal between the two exchanges is expected to be signed at the Futures Industry Association in Boca Raton. Comex claims that it is a cheaper, more effective method of extending trading hours

without members having to work unsocial hours with all the extra costs this involves.

It could also be viewed as a defensive measure to protect its Asian time zone gold business.

The Chicago Board of Trade is far from convinced about the benefits to be gained from international links. It argues that customer protection is difficult to ensure when trading on different exchanges in countries with varying rules and regulations, and possibly a domestic government that in the last resort would be liable to back its own nationals in any dispute.

CONTINUED ON NEXT PAGE

## Telerate...

WORLD SPOT CURRENCY MARKET									
LAST FIVE UPDATES IN EACH CURRENCY									
PAGE	BANK	STG	DM	YEN	DM	PAGE	BANK	STG	DM
3460	SWISS BANK	DEM 1 1155.00	9.10	3524	U.S.	ZUR 260.65-75	9.12		
3505	DEUTSCHE BANK	DEM 1 1155.00	9.12	3525	DRESNER	ZUR 260.65-75	9.13		
3506	SWISS BANK	ZUR 1 1155.00	9.12	3540	CRUISSE	ZUR 260.65-75	9.13		
3517	CHRISTIANIA	DEM 1 1155.00	9.14	3550	BARCLAYS	LON 260.65-75	9.13		
3522	U.G. BANK	DEM 1 1155.00	9.12	3560	SWISS BANK	DEM 260.65-75	9.13		
(EURO-STERLING DEPOSITS PG 271)									
PAGE	BANK	DM	DM	DM	DM	PAGE	BANK	DM	DM
3504	DEUTSCHE BANK	DEM 3 2432.32	9.13	3523	U.S.	ZUR 2 1515.25	9.14		
3524	WIRTH PONS	DEM 3 2432.32	9.14	3520	VORSEBANK	ZUR 2 1515.25	9.14		
3505	SWISS BANK	DEM 3 2432.32	9.12	3511	DEUTSCHE BANK	DEM 2 1515.25	9.14		
3515	DRESNER	DEM 3 2432.32	9.14	3540	CRUISSE	ZUR 2 1515.25	9.14		
3505	U.G. BANK	DEM 3 2432.32	9.12	3560	SWISS BANK	DEM 2 1515.25	9.14		
(EURO-MARK DEPOSITS PG 272)									
DE-USA CALENDAR OF EURO-BOND OFFERINGS									
08-06 DOLLAR STEADY AT HIGHER LEVELS IN EARLY FRANKFURT TRADING									
08-07 MITSUBISHI OIL SELLS OIL REFINERY FACILITY									
08-10 DOLLAR CONTINUES RISING AGAINST GUN DOLL, EUR STEADY									
08-12 SAUDI RATES TWENTY ON DOLLAR STRENGTH, RUSSIAN RATES STEADY									
08-15 LONDON MORNING GOLD WEAKENS FROM EARLY OPENING									

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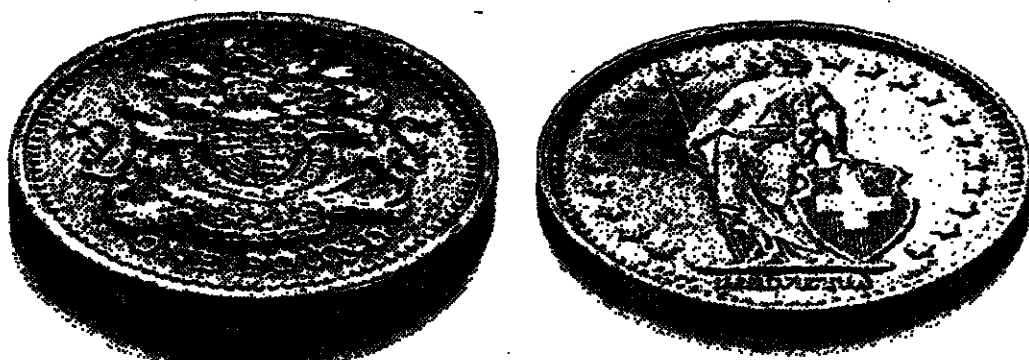
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IF YOU CAN TELL US EXACTLY  
WHAT THESE WILL BE WORTH  
IN SIX MONTHS TIME,YOU MAY NOT NEED  
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The Chicago Mercantile Exchange, the world's most successful foreign currency futures and options market, are launching currency options on the British pound and the Swiss franc.

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## International Futures 2

## Doors open for pin-striped pork bellies

U.S. Institutional Investment  
JOHN POWERS

A LITTLE more than a decade ago, Chicago's two major futures exchanges were finding a lot of doors slamming in their faces. The Mercantile Exchange had pioneered foreign currency futures in 1972, while the Board of Trade launched the first interest rate future, on Government national mortgage certificates (Ginnie Maes) in 1975.

When exchange officials visited New York to drum up interest among banks and other financial institutions, the reaction often ranged from horror to cynicism. Someone coined the term "pin-striped pork bellies" in characterising these new financial contracts.

Thirteen years later, the doors that were slammed shut are wide open. Most major banks with assets of over U.S.\$500m have used financial futures or options at least once, and the 25 largest banking institutions have active daily trading programmes which are integrated with their treasury operations.

At least 20 banks in addition have set up new divisions to offer brokerage services in futures to other banks and to their corporate customers.

While the decline in inflation has taken the steam out of speculation in the traditional commodity markets in agriculture and metals, financial futures contracts have continued to show strong growth.

At the Chicago Board of Trade (CBOT), the 1984 volume in its financial futures contracts exceeded volume in the agricultural contracts for the first time in the exchange's 136-year history. Financial volume, led

by particularly strong growth in the U.S. treasury bond future and option contracts, totalled 40.7m contracts out of the 74.4m contracts traded in all CBOT markets. Financials thus represented 54 per cent of the total volume at the exchange, after nine years of trading in financial futures.

At the Chicago Mercantile Exchange (CME), 1984 trading volume in its financial futures and Deutsche Mark option totalled nearly 36m of the year's volume of 44m contracts. Volume in the Standard and Poor 500 index future increased 53 per cent in 1984 to 12.4m contracts, while the Euro-dollar future gained 57.5 per cent during the year to 4.2m contracts.

The high growth rates in these two contracts is particularly noteworthy, because the S and P contract is favoured by hedgers in major financial institutions which have portfolios

which match the constituents of the index.

The Eurodollar futures contract is certainly not very familiar to the majority of small speculators who think of soybeans or gold when they think of commodities. The Eurodollar contract in fact is dominated by foreign and multinational U.S. banks which use it as a pricing mechanism for their Eurodollar loans. It is about as foreign to the average speculator as pork bellies to a Swiss banker.

These spectacular volume gains have all taken place at a time when many brokerage firms are moaning over losses caused by high operating expenses during a period when the commission dollars from speculators are increasingly being carved up by discount brokers as well as a number of new entrants into the business. Institutional volume is growing, but the problem for brokers is that the number of institutions

using the markets is increasing at a slow pace.

It is hard to nail down the level of institutional participation since surveys of volume do not specify the type of user in the market. A recent survey by the CME shows how much commercial hedging interest has increased in financial contracts.

By taking positions registered at the end of August in 1981, 1983 and 1984, the survey shows that open interest of commercial users in the treasury bill future totalled 67.1 per cent by 1984, compared with 36.8 per cent in 1981. Eurodollar commercial interest stood at 76.8 per cent in 1984, up from 64.5 per cent in 1983. In CDs (certificates of deposit), hedging reached 65.3 per cent in 1984, up from 34.5 per cent in 1981, while in Deutsche Mark and Japanese yen futures it was 64.2 per cent and 80.0 per cent respectively, for 1984.

At the CBOT, institutional trading in the U.S. treasury future and option also probably represents the majority of volume in those contracts.

Despite this high level of commercial participation, the day-to-day trading by institutions is for the time being limited to a relatively small number of investment banks, government securities dealers, and broker-dealers which are trading house and floor associations, 100 or fewer insurance companies and a score or so pension funds.

The index options and index futures, however, are attracting an increasing number of money managers, primarily because of the advantage of being a cheap

form of entering or exiting the stock market.

Greater institutional participation will erode the futures and options markets until education and knowledge of useful and prudent applications is more widespread. This will be the main factor in overcoming the still-lingering image of the markets as speculative and hence, an imprudent vehicle for an individual charged with preserving capital.

Part of the educational thrust with institutions hinges on providing more understanding of how to properly account for positions taken in these markets. This requires more sophisticated reporting systems for measuring profit and loss on a daily basis. By contrast, gains or losses on a real estate investment are recorded over a period of years. With a futures position, it shows up the next morning, in the form of a cheque, or a demand for a cheque, until the position is closed.

Despite the general slowness of a wide number of institutions to make use of the markets, regulatory approvals, at least in the U.S., have come relatively fast. The Federal Reserve Board, Department of Labour (for pension funds), Federal Home Loan Bank Board and Comptroller's office have been fairly swift in providing regulatory guidelines as new financial contracts have appeared over the last 12 years.

But the regulators are responding to the persistent demands of a few innovators in each sector of the financial markets, rather than the demands of a majority. Like all new marketplaces, the promoters of financial futures and options will have to be patient before large numbers of institutional users come knocking at the door.



Trading floor at the Chicago Board of Trade. The volume of financial futures contracts last year, for the first time in the exchange's 136-year history, exceeded that for agricultural futures. Led by particularly strong growth in U.S. treasury bond futures and options, the volume of financial contracts totalled 40.7m out of 74.4m contracts traded on the CBOT during 1984. Thus, after nine years of trading financial futures, they now represent 54 per cent of the exchange's trading volume. Institutional involvement in CBOT's trading in U.S. treasury bond futures and options probably represented the bulk of trading volume in those contracts.



## Financial instruments hold sway

Speculators  
CHRISTOPHER O'DEA

THE broad advance of U.S. stock markets since January has slowly attracted speculators back into the commodities markets. However, the word "commodity" is increasingly becoming a misnomer for what is being traded. Rather than soybeans, corn and cattle, speculators are moving into financial futures and options.

Cash options on indices like the Standard and Poor 500 (OEX) allow traders to take a view on market direction while limiting their risk. Option strategies such as "straddles" and "strangles" are useful when the market has been in a trading range, but is generally stagnant or trendless.

Futures brokerage firms are hoping that options will help them tap the many investors already familiar with equity options. "Most people come from an equity base and don't go for the beans right away," says Mr Terry March, director of marketing for 312-Futures, a discount brokerage in Chicago. "It's easier to jump to metal or

bond options than the soft commodity based trader."

Many traders making the jump landed in the Chicago Board Options Exchange (CBOE). From January 1984 to January 1985, the OEX posted a 332 per cent increase in retail volume.

To help handle the orders, CBOE on February 1 installed the retail automatic execution system, (RAES) which processes orders automatically to a public book, from which they are assigned to market makers to match trades. Under the 30-day pilot, only orders for certain strike prices in the front month contract will be filled. RAES provides a one-second turnaround.

On February 13, 12 days after it opened, RAES executed 694 contracts in 208 transactions. Seven CBOE member firms are tied in to the system, which allows them to funnel all orders of five lots or less to RAES. Prudential Bache and Shearson Lehman American Express were the first two to use the system. Ten more member firms are due to join in March.

As more sophisticated traders move from equities into futures and options, discount brokers are finding that they must offer extra support ser-

vices to remain competitive. Low commissions alone are no longer enough, and most brokers have become able to execute and confirm orders in the same amount of time as their competitors.

Mr March says: "It used to be that only institutions got those advantages, but now they're offered to the retail client." Perhaps more than market information, futures speculators want to trade in liquid markets. That is why, with so many speculators out of the markets since the great gold price collapse in 1980 and 1981, liquidity is bigger in a few markets such as U.S. treasury bonds, S and P 500 futures, and the Deutsche Mark, yen and Swiss franc futures contracts.

Liquidity is not determined by total volume alone. The Chicago Mercantile Exchange, for example, is highly successful but there is relatively little retail business, say traders in the pit. Most outside customer orders come from currency-dealing banks.

The ratio of volume to open interest is a handy rule-of-thumb guide to the probable ease of closing out a position in a given contract. In January,

the ratio for the OEX was roughly 8:1. The S and P 500 future, while showing lower absolute growth, has a whopping 24:1 ratio. For the New York Futures Exchange's NYSE composite index future, the ratio is 27:1, but volume grew only 2.7 per cent in 1984.

Mr Murray Halperin, executive vice president of Chicago discount brokerage Jack Carl, says "The speculators are in the stock indices. That's about it when you look at it. There's no trend in the grain complex, and many speculators are on the sidelines waiting to buy, but we don't know when."

Mr Jack Kroeck, vice president of marketing at Lind-Waldock, the largest futures discount broker, says "Every trader has a different reason for being in the market." Some like volatility and trading in and out of the market, and some like trends.

Because futures contracts are continually listed, they are not as constrained by time value as options are. It is difficult to type of trading, and it changes market volatility decreases and traders see signs of a trend, metals and agricultural futures could recapture the enthusiasm of speculators who have largely deserted them.

## Difficulties for trend followers

Future Funds  
NANCY DUNNE

THE 89 publicly offered commodity funds, tracked by Managed Account reports in the U.S., weathered choppy markets with great difficulty last year. It was only in the fourth quarter that the majority emerged as winners.

Dr Mort Baratz, editor of Managed Account reports, explains that difficulties arose because "trends were few and far between." Fund managers, most of which are trend followers, would finally identify a trend and it would reverse itself three weeks later.

"The strong impression I have," says Dr Baratz, "is that those which came out ahead committed themselves to the currencies, metals and stock indices."

Working against the funds, along with the uncertain markets, is the high costs of operations. Managers typically take 10-25 per cent of their equity just to cover costs. The trading adviser himself usually receives 4-6 per cent of the assets in salary and earns an incentive

bonus of 15 per cent of new net profits. Commission fees are also high—about U.S.\$60-70 for each round turn in trading.

By the end of last year 35 funds had produced net gains, 26 reported net losses, four were unchanged and two—Boston I and II—had suspended operations. Five new funds began operations in 1984, the smallest increase of new funds in the past five years.

The best performer of last year, according to Managed Account reports, was Thomson Financial Futures Partners I, offered by Thomson McKinnon and managed by Christopher Funk of Lafayette Ind. and Campbell and Co. Management of Baltimore. The fund gained 70.2 per cent. This was the best annual record by a public fund since another Funk fund, the Illinois Commodity Fund, gained 75.6 per cent in 1981.

After Thomson, the highest earners were Peavey I and II, which earned 64.7 per cent and 62.2 per cent respectively, with both managed by Futures Management (Iowa) and Dunn Commodities.

Some trading advisers do consistently well, says Dr Baratz, and the success seems to rest on three factors: their skill in making money management de-

cisions, their portfolios and their persistence in following their own systems.

One of the steadiest performers, Mint Limited, an offshore fund underwritten by Britain's Anderson Man, has developed a volatility measure which tells its managers when to pull out of high risk markets.

"We are highly risk averse," says Mr Tim Iretton, the fund's sales director in London. Consequently, Mint's assets have never dropped more than 15 per cent and that was in its first six months of trading. Mint has averaged 30 per cent gain over the first two years of its existence by investing worldwide only in highly liquid markets.

The fund was capitalised in 1983 with U.S.\$5m and shares worth U.S.\$10 each. Diversifying widely by trading in currencies, interest rate, energy, metals, tropical products, live stock and lumber futures, its shares climbed to U.S.\$15.73 by the end of January and assets had jumped to between U.S.\$11m and U.S.\$12m.

Like most of the funds, Mint's managers are trend followers with a system developed after working out an enormous amount of simulations, using data dating back 20 years. Its

steady growth is "no fluke," says Mr Larry Hite, a principal in Man Investment Management Company which manages Mint.

"We had a well conceived system, we knew what we were going to do and we did it," he states. "Based on statistical research, we knew we had a 1 per cent probability of losing our initial capital and a 95 per cent chance of doubling our money in 24 years."

"All fund managers claim they have something unique," says Dr Baratz, who has seen wide fluctuations in fund performance over the years. Mint is doing well, he acknowledges, but he will reserve final judgment until its track record is longer.

Leading the list of funds turning in worst performances last year were: North American 11, advised by Trendview, down 34.1 per cent; Major Trend, advised by Joseph Mills, down 31.6 per cent; Boston I, underwritten by Thomson McKinnon Securities, and advised by Commodity Monitor, down 25.9 per cent; Stock Index, underwritten by Faine Webber, down 24.4 per cent, and Boston II, also underwritten by Thomson McKinnon Securities, and with Spinnaker Trading as advisers, down 24.1 per cent.

## Fight ahead to maintain growth

CONTINUED FROM  
PAGE 1

The Board of Trade thinks that extending its hours of trading in specific contracts with international appeal, like its planned overseas stock

index contracts, is a better answer, ensuring that its members benefit from any extra business.

There is no doubt that the American exchanges have become very much more conscious of the potential business from outside the U.S. The London exchanges are hopeful

that the introduction of improved investor protection and more equitable domestic tax treatment will enable them to win some business back.

Paris is also fighting hard to expand its activities, as are various exchanges in the Far East. It could be a hard struggle.

Ultimately the future of futures depends on whether they serve a real need. It was the uncertainty in the world's financial and commodity markets that triggered off the fight in 1970s. The industry now has to prove there is a continuing need for futures in years ahead.

In an unpredictable futures market, it takes a very special kind of knowledge and understanding and experience to make the right decisions.

Gerald Commodities, a division of Gerald Martin, one of the world's foremost merchants in precious and industrial metals, offers an independent brokerage service covering the world's leading commodity futures exchanges.

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مكتبة النور



# International Futures 3

## Pension fund involvement will become commonplace

### UK Institutional Investment

JOHN MOORE

THE USE of the London International Financial Futures Exchange has become an important part of the investment strategy of the pension fund manager.

Institutions, at first wary of the financial futures markets, have built up expertise and are devising programmes to use the markets efficiently.

Prudential Portfolio Management, Britain's largest investment management company, with assets under management of £15bn, argues that there are several attractions for pension funds on the financial futures market.

Financial futures offer exactly the same exposure to price movements as investments in the stocks or shares to which the contracts relate. Provided the investor maintains cash on deposit — which will be earning interest — to cover the total obligation under the futures contract, the risk, in terms of price movements, is identical to holding the underlying securities.

Low dealing expenses in the London financial futures exchange; the ability to buy contracts at a price which is less than the price that would have to be paid for the actual stock; the facility to hedge against a market which would otherwise be detrimental to a fund; and the flexibility to switch between investment sectors are the main attractions for pension funds, says Prudential.

Prudential argues that the hedging techniques available in the financial futures market can enhance pension fund returns. For instance, hedging techniques can be used to offset adverse price movements in the British Government securities market.

Using an example: an investment manager holding £1m of a

gilt-edged stock Treasury 14 per cent 1985-2001 at June 30 may believe that the price of the stock could fall over the next three months. The investment manager may be reluctant to sell immediately, perhaps because he thinks that some short-term gains are also possible in the next few weeks. He can protect the value of his holding against the expected fall in price by "selling" the long gilt futures contract. In such a case he would be entering into a contract to deliver a certain amount of fixed interest stock in September but at a price fixed at June 30.

The buyer is contractually bound to take delivery at this price in September even though by then the price of the stock may actually be lower in the market.

In the example the market prices per £100 nominal of the stock and the futures contract at June 30 are: Treasury 14 per cent 1985-2001—£123; long gilt futures contract (for delivery on September 30)—£105. At June 30 the manager holds £1m nominal of stock worth £1,237,500 which he intends to hold until September 30. To protect the value of this holding should the price fall, he needs to "sell" futures contracts for delivery on September 30 worth an equivalent amount. Because the long gilt futures contract is traded in amounts of £50,000 nominal, the nearest amount he can sell is 24 contracts with a total value on delivery of £1,263,000.

The manager now holds a "hedged" portfolio consisting of both £1,237,500 of stock and futures contracts to sell stock for £1,263,000 in three months time.

By September 29 the Treasury stock may have fallen to £1,174, and the price of the long gilt futures contract may stand at £99. After the fall in prices the value of the manager's stock holding has fallen by £63,000. If the manager had not "hedged" his portfolio in the futures market, he would have suffered a loss over the same period. Because of his strategy he can deliver the £1m nominal holding of the Treasury

stock to fulfill his undertaking in the futures contract.

The result of the transaction is that the manager receives the price for the stock which he would have received had he sold on June 30 rather than September 30. The hedge has protected the value of the gilt holding against the fall in prices.

Prudential argues that the low dealing cost of the futures contract means that the use of this investment route also allows the manager greater flexibility in switching between investment sectors which it says is probably the most important use of financial futures for pension funds.

Up to comparatively recently there have been two major restraints on fund managers wishing to switch assets between investment sectors. First the cost of dealing. For example, the expenses involved in a switch from fixed interest to UK equities amount to more than 3 per cent of the assets involved. Secondly, the effect on the market of any substantial deal in securities. It is difficult to sell a substantial proportion of an equity fund at "quoted" prices, particularly when the sale is prompted by a specific event or timing is critical.

The use of financial futures has offered a solution but the route was at first closed to pension funds because it was not clear that futures contracts were exempt assets for the purposes of pension fund tax legislation. Last year the position was clarified, and pension funds investments in futures enjoy the same statutory tax exemption.

If a fund manager was instructed by the pension fund trustees to match the FT Actuaries All-Share index as near as possible for three months, minimising the costs involved, the operation could be carried out through investing in 60-70 securities. Acquisition costs of over 2 per cent of the assets involved would be incurred and other costs of over 1 per cent might be incurred in the disposal of the shares.



Lord Carr of Hadley, chairman of Prudential Assurance.

The establishment of the FT-SE 100 index futures contract last year, linked to the performance of 100 leading shares, has enabled the fund manager to effectively buy one composite share made up of all the FT-SE 100 index shares.

Dealing expenses may be only 0.1 per cent of the total contract price, which on a £5m contract would be £5,000, while the cost of buying and selling the actual securities involved over a three-month period could be in the region of £150,000.

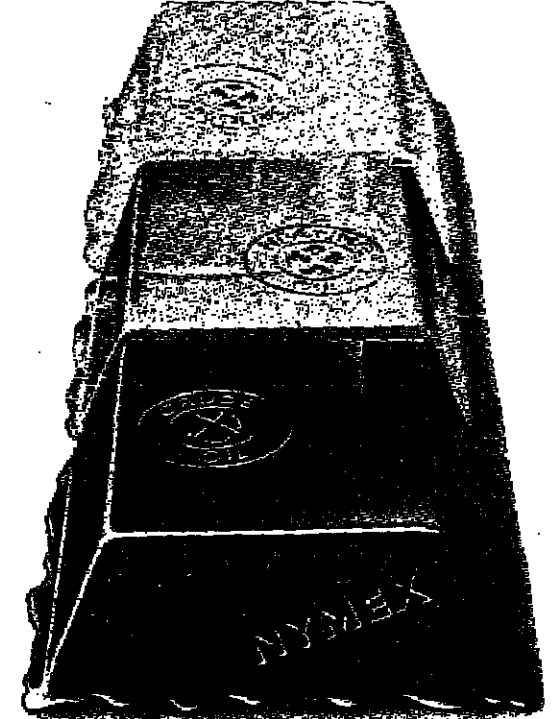
Moreover, only a standard £1,500 per contract has to be lodged with the London International Financial Futures Exchange as an "initial margin," which is returned once the contract has run its course or sold. The small initial outlay allows more active management of the cash representing the balance of the futures contract price to produce a greater return.

Prudential Portfolio Managers observe that for the overall price fixing mechanism to work effectively, there must be a reasonable volume of buyers and sellers. Its research and its own investment activity in financial futures over the last 18 months, particularly in fixed interest contracts, has indicated that the financial futures markets in London have been operating to a more acceptable level of efficiency in terms of price fixing.

But there is no doubt that many pension fund managers had been waiting for the formal tax changes in the 1984 Finance Act before making use of futures contracts.

Once most trustees of pension funds become familiar with the concept of financial futures their use in fund management will become commonplace. This will help the market's efficiency and liquidity.

## Worth its weight...

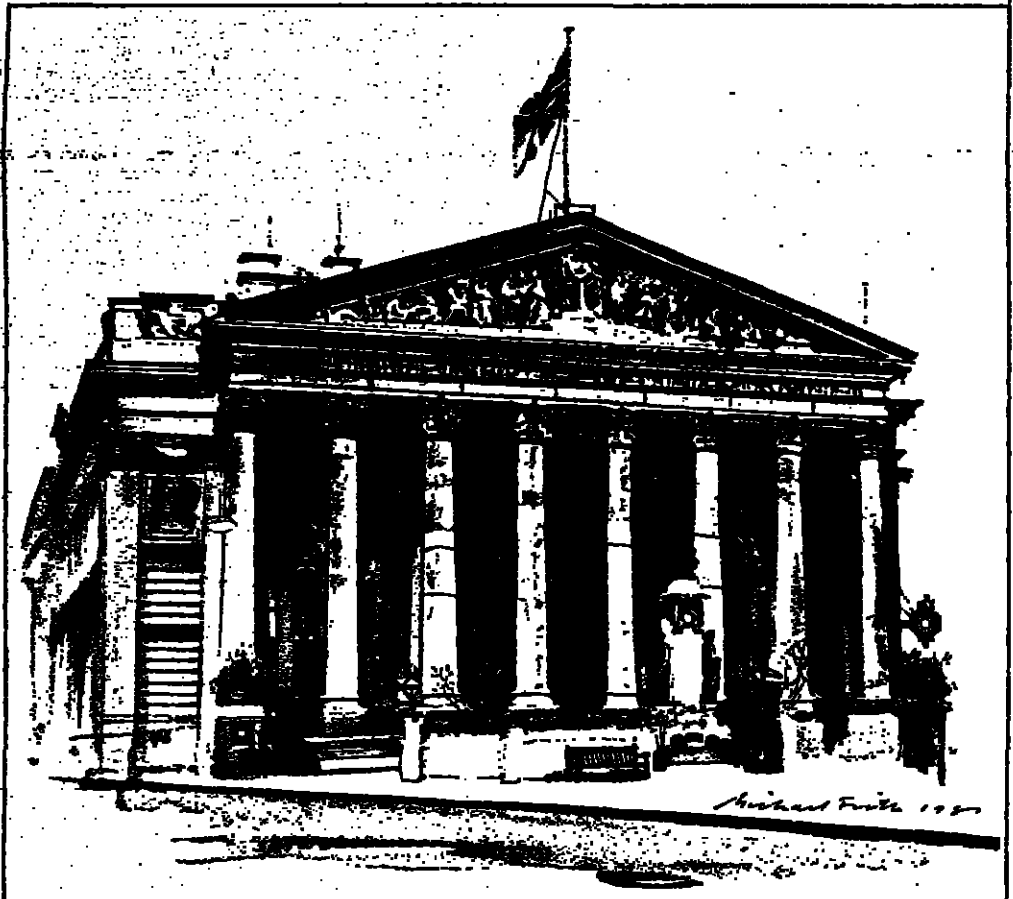


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The Royal Exchange building, home of the London International Financial Futures Exchange.

## A battle to survive

### Brokerage Houses

JOHN EDWARDS

LAST year was, on the whole, a terrible one for futures brokers. Several well-known companies, including Commodity and London, went out of business. Many others merged, were taken over or forced to cut their staff back drastically.

Commission cutting is rife and even the most successful companies are finding profits from futures trading hard to come by.

It is a far cry from the boom times in the 1970s when brokers expanded to meet an apparently insatiable demand from investors and industry anxious to get into futures trading.

Now it is a question of survival. Mr George Lamborn, president and chief executive officer of Donaldson, Lufkin & Jenrette in New York, summed it up succinctly: "overcapacity in the industry has to be alleviated; many firms have already gone out of business and more will have to follow. Only the very large and the very small are likely to survive."

Some pessimists believe that the traditional small investor—the Iowa dentist—has vanished for ever. Others like Mr Lam-

born think investors will be back in even greater force once the inflation rate starts to climb again, bearing in mind the generally improved awareness these days of the futures markets. Mr Lamborn is more worried about whether the exchanges will be able to handle any increase in volume of business effectively.

For the moment, however, it is the retail brokerage houses, serving the general public, which are suffering most. Definition, and the lack of action in many markets, have reduced investor interest in futures generally. Those left have tended either to invest indirectly via the managed funds or alternatively have become more sophisticated in their trading techniques, relying on computer-based systems, instead of advice from brokers.

These "spartan" traders just want their orders to be executed and not want to pay for special services. There is, therefore, in the U.S. particularly, greatly increased competition from discount brokers providing a barebones service with no expensive frills.

It has become increasingly difficult for the traditional futures brokers to compete without cutting commissions to the bone.

With commission revenue declining, and costs rising, many brokers are trying to make ends meet by taking positions them-

selves on the markets — a dangerous practice. Alternatively many are either cutting their services or altering services (like research) in an effort to be competitive with the basic cost of executing orders for clients.

Mr Rich Sandor, of Drexel Burnham and Lambert in Chicago, one of the architects of the booming Treasury Bond contracts when he was with the Board of Trade, believes the industry is moving in a different direction.

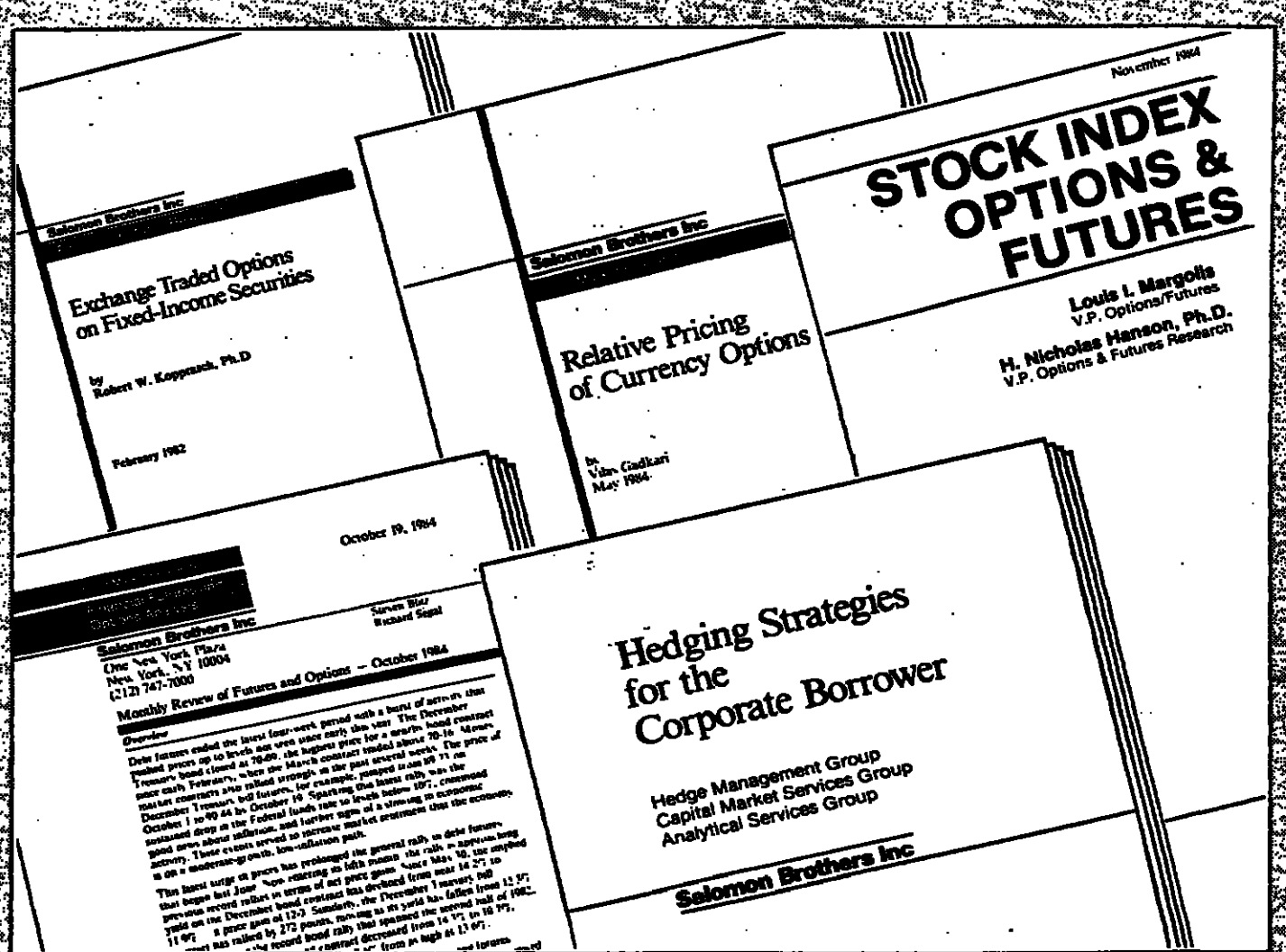
He says that the days of the specialised futures-only brokerage houses are numbered. Instead brokerage houses will have to offer a whole range of financial services, with futures as just one alternative.

Last year's volume increase in trading on the U.S. futures exchange came mainly from "locals" dealing on their own behalf or big financial institutions coming in with huge orders, paying very small commissions.

If this trend continues, the brokerage houses can expect just as difficult a time in 1985, unless there are some dramatic developments to attract private investors back into the markets.

Many of the brokerage houses have cut their overheads, and staff, drastically already. But there could be many more closures and mergers yet, as brokers adjust to the harsh world of the 1980s.

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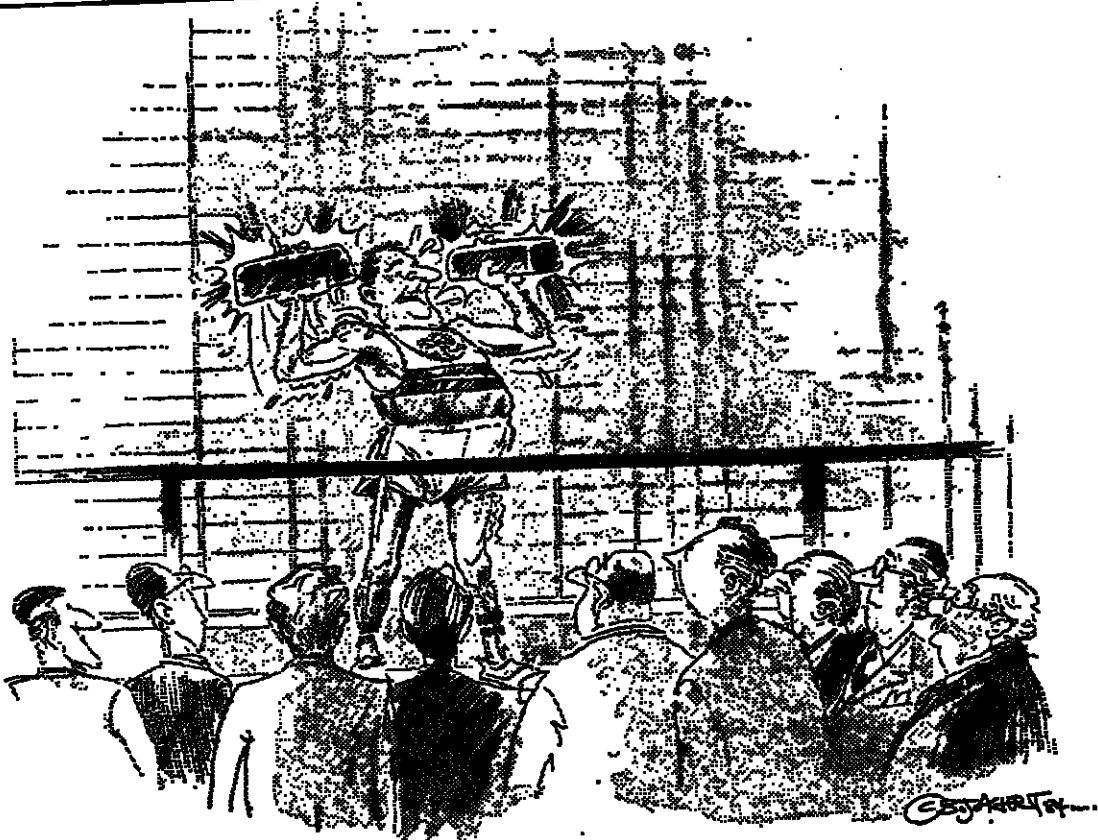
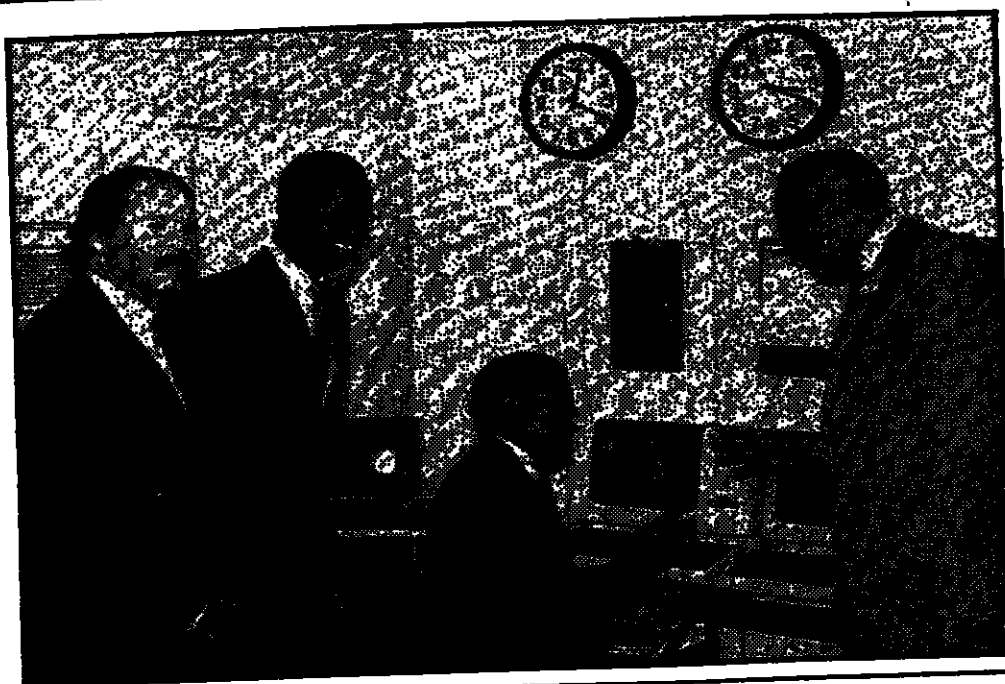
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# International Futures 4



Above: Mr Ian McGaw, group managing director of ICCH. Right: Bernard's premier, John Swan (seated) is given instructions on the operation of the computer at INTEX, the world's first fully automated commodities exchange.



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## Broader base and wider choice

ICCH  
JOHN EDWARDS

THERE are two divergent trends in the world futures markets, according to Mr Ian McGaw, group managing director of the International Clearing House (ICCH). One is the push by the U.S. exchanges to "take over the world." The other is the nationalisation of futures trading and the desire by national governments to climb on the bandwagon and promote their own domestic exchanges.

Although ICCH is London-based, and owned by a consortium of UK clearing banks, it has developed interests throughout the world, and is one of the few truly international futures organisations.

One of its latest projects is to help expand the futures exchange in Rio de Janeiro, which at present only has a gold contract, but is looking at possibilities for markets covering interest rates, Bahia cocoa and, perhaps, coffee. The rival Brazilian exchange in Sao Paulo has contracts for gold, cattle, coffee and soyabean. ICCH is also deeply involved in the development of a fully-automated futures exchange in Auckland, New Zealand. That opened on January 28 with a U.S. dollar futures contract.

The exchange, which allows simultaneous trading by member companies situated in different parts of New Zealand, could provide a model for other low volume domestic exchanges, where setting up a central "floor" area is too expensive. Alternatively it could be used for "kerb" (after hours) trading on the bigger exchanges.

The automated trading system being used in New Zealand, was originally developed

by ICCH for "kerb" trading on the London soyabean meal futures contract.

Since then ICCH has been involved with Inter, the Bermuda-based company that last year launched the world's first fully automated-futures exchange.

Mr McGaw admits that Inter has been surrounded by controversy—possibly because of the many delays in starting—and that volume on the existing gold futures contract is very modest (only around 350 lots a day). However, he says the system does work in a "frighteningly efficient" manner.

The testing time for Inter will come when it introduces a dry cargo freight futures contract in May, simultaneously with the launch of Inter on the Bahia International Freight Futures Exchange (Biffex).

Biffex and Inter will have identical contracts, but Inter will be restricted to trading in certain hours, mainly when the London market is open. ICCH will be providing clearing facilities for both the exchanges and Mr McGaw sees a lot of scope for financial savings by companies trading in both exchanges.

Although they will operate separately, the two exchanges will obviously be in a position to assess its charges on the exposure, and margins, involved in both markets.

Mr McGaw believes that joint clearing arrangements of this

kind may be a better way of co-operation between international exchanges in providing financial advantages, only without the political and legal problems involved in other links, like the venture between the Singapore and Chicago Mercantile exchanges.

Indeed, the first international link of this kind was the arrangement between London and New Zealand wool futures markets, allowing dealings to continue in the two time zones on a single contract.

However, this link is due to end, since virtually all the business comes from New Zealand, which wants to take more control. One of any link of this kind is that a dominant partner emerges and the smaller exchange may object to being cast in the role of junior satellite.

Confining the link to purely the financial advantages offered by using the same clearing organisation is less troublesome; it has for example worked well since 1976 between the London and Paris sugar futures markets.

Mr McGaw argues there is a strong financial case generally for one independent organisation providing clearing facilities for groups of exchanges, rather than each exchange having its own individual clearing system.

Companies operating in all the exchanges are faced with having to allocate separate capital for each exchange. This may be under-utilised and reduce the amount of capital available for the company's primary business. Since its change of ownership, the ICCH has

reviewed its whole strategy to try and be more in line with changes in the futures industry worldwide.

It views itself as an international organisation, prepared to offer individual exchanges the kind of services they want. In some cases it provides full clearing facilities while in others it provides computer and other services only.

The fee charged is negotiated individually with each exchange according to the service provided and the risk involved. The London International Financial Futures Exchange (Liffe), for example, negotiated a new arrangement last year, and this may well set the pattern for other exchanges to follow.

The variable guarantee fee, based on the "open" position and the degree of volatility, means that the amount payable depends on activity in the markets—a helpful factor during periods of flat trading.

Every month there are reports of proposed new futures contracts all over the world, ranging from Indonesia and the Philippines to Amsterdam, Paris and Montreal. The U.S. and American exchanges, backed by American commodity houses with branches in most countries, can expect to attract a large slice of an increasing international business.

However, the development of an increasing number of futures contracts, including those by various stock exchanges which have been realising they have been leeching their own futures markets, rather than leaving it to the commodity exchanges, is encouraging a broader international base for the industry and providing users with a wider choice.

Options  
JOHN H. PARRY

OPTIONS ARE essentially simple concepts to grasp, but today the complexity of the various forms on offer threatens to swamp the markets which could derive most benefit from them.

Because of the known, limited risk from options they appeal to both speculators and investors. But the stampede to tailor options to suit a wide range of users has almost created too much choice. Users who want to deal in options need to be very determined and to decide on the merits of what is available.

At its simplest an option is any transaction in which a forward price is determined and for which a client can pay a small premium in order to retain the right to buy or sell at that price.

The concept can be applied to physical goods, financial instruments and securities, but the current growth is centred on securities, foreign exchange and financial futures.

The essential points about options are that they confer rights, not obligations and they provide a system of leverage. Leverage is derived from the fact that the price which is paid for an option is much lower than the principal sum which is secured by the option. But, if the profit potential of an option can simply be leased.

And unlike the variable margin for futures contracts, an option premium is paid up front, once and for all.

These distinctions are complicated by the fact that it is now possible to take out an option on a futures contract.

This seemingly duplicative position has arisen because of the increased price visibility which a futures contract can introduce to previously grey areas such as forward foreign exchange and interest rates.

The more visible futures prices (as opposed to interbank rates) can provide a reference price which is essential for options dealing. At the same time futures markets also introduced more perfect markets than previously existed for certain financial instruments. It takes only two parties to deal an option, but it takes many more to ensure that the price of that deal is competitive and the market will be sufficiently liquid and accessible.

These conditions have been encouraged by the trend from traditional options to traded options. In the former a buyer of an option has three choices: to exercise it, to let it lapse or to sell it back to the grantor. The buyer of a traded option can expand the third feature and sell it on to a third party.

This distinction is clearly visible on London's Stock Exchange, where traded options are enjoying a sharp rise in popularity. Some 30 stocks are quoted on the traded options pitch, but average trading since the end of 1983, to over 12,000 contracts per day in January 1985.

Recent new issues, such as Jaguar and British Telecom, have been in the forefront of the traded options market and theoretically the substantial gains made in the underlying stock could have been multi-

plied tenfold by taking the corresponding option.

It is partly this attraction of leveraged profits, and partly the ability to trade a short position, which is attracting options support for traded options. The short position, or put option, provides a hedge against a decline without selling the stock, a useful facility when dividends are at stake.

Despite the fact that traded options have been available for some time, the Stock Exchange has not conducted a strong marketing campaign for them. This is mainly because of the highly speculative opportunities which leveraged contracts provide.

However, the persistence of the options subcommittee, led by Pichin. Denny's David Swen, is paying off. His tenacity ensured that recent eye-catching new issues were also quoted on the traded options pitch.

His plans for the next phase of development are more revolutionary. Announced earlier this month, they include provision to create a special low-cost membership for banks and other market makers who wish to join the traded options pitch specifically to trade in foreign exchange options.

### Intriguing

For London this is an intriguing departure from the tradition of not duplicating similar contracts—between different institutions. Liffe (the London International Financial Futures Exchange) has already announced plans to introduce cash foreign options soon. Liffe argues that it has its market makers in place and they are doubly qualified in leveraged forward trading and foreign exchange.

These skills are not so widely available among Stock Exchange members. On the other hand the failure of Liffe's existing foreign futures contracts has not provided a sound base from which to move into this new field. The Stock Exchange may also integrate into its plans the London interbank market's proposals to standardise their own cash foreign options trade. This would overcome the lack of market makers.

The banks are already expert in writing so-called over-the-counter options. These compare with traditional options in that they cannot be sold to a third party. But for a major forward foreign or interest rate exposure they offer the advantage of precision: used as a hedge they can be written for sums and dates exactly matching those of the client's risk.

The writer of these options can either minimise his risks by keeping a square book—matching the writing of puts and calls for similar dates—which is an impractical and limiting proposition, or by hedging his net exposure.

In almost all of this marginal hedging business by writers has been going to the U.S. markets.

Then the Chicago Mercantile Exchange and the Philadelphia Stock Exchange have attracted considerable business which originates from the London-based banks. Philadelphia's umbrella options clearing body, the Options Clearing Corp, has opened tentative negotiations with Liffe to assess whether a mutually exchangeable contract might be established between the two exchanges.

Both exchanges will want to determine whether such a link

would improve overall volume rather than dilute existing business, however.

In this broader international context the major success story has been the Chicago Board of Trade's treasury bond futures option. In 1984 over 6.6m T-bond option contracts were traded, the equivalent to 20 per cent of the underlying futures contract.

This success has encouraged the CBOT to introduce options on its other major contracts, soyabean and corn, following last year's decision to rescind a congressional ban, imposed in the 1930s, on options on agricultural commodities.

Mr Robert Goldberg, CBOT chairman, sees options as providing users of the underlying futures contracts with additional flexibility in terms of hedging and investment strategies. He also considers that traded options allow new and sometimes smaller users to enter the market. This is likely to be particularly true in agricultural options, which he expects to attract farmers who seek risk protection facilities.

In addition, Mr Goldberg supports the view that certain options, notably in financial futures, will attract substantial international support. The expansion of T-bond futures and option market serves significant support from international centres of T-bond trading, notably London and Switzerland.

The expansion in market-making U.S. Government debt, aside that country will only increase this activity.

The proliferation of options, particularly if accompanied by a greater variation in the types of options available, may generate new problems, however.

Major commission houses in the U.S. ran into serious trouble two years ago when trying to keep pace with the growth in futures markets, particularly the investment required of a commission house in systems and salesmen for new contracts is expensive, especially if a new

contract fails to attract popular interest. But failing to attract popular interest in a new contract such as options could be an even more expensive mistake.

As a result the still embryonic traded option industry is facing a dilemma. Whether to fine-tune the instruments to cater mainly for the needs of the big-money market, or who will support the market, or to produce a more basic, smaller contract in order to attract more popular support, and in this way give the market much greater depth and liquidity.

### Popular support

In the end it will be horses for courses. Those financial sectors which already attract popular support, such as stocks and shares, will probably do best to gear their new options to suit existing investors. But there seems little point in signing options on, for example, foreign exchange or debt instruments for any users other than the professional investment family.

It is possible that this approach will produce grey areas, such as options on stock indices (introduced in 1984 on the Stock Exchange). But generally the financial services industry already knows that innovation is expensive and that introducing too much choice can be counter-productive.

Once the new generation of options is in place, therefore, the markets can expect to begin a period of consolidation, marketing the new instrument in a way which will broaden the base of the financial market quite considerably.

London exchanges in particular, which have no great experience of retail marketing, may be persuaded to adopt a more U.S.-style approach to marketing. And with many of the big U.S. commission houses already in place, this could provide an interesting challenge for some of the remaining independent companies.

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## International Futures 5



Traders from Singapore familiarise themselves with the "open outcry" system of floor trading at the Chicago Mercantile Exchange.

## Many teething troubles

Far East  
CHRIS SHERWELL

FUTURES exchanges in Asia face a considerable challenge in 1985, as the following brief catalogue of developments illustrates:

● The Singapore International Monetary Exchange (Simex), Asia's first financial futures exchange, has had a disappointing start since it opened last September. Volumes have tended to be low and some locals have already run into financial difficulties.

● The start of the Hong Kong Futures Exchange continues to face delays over technical and legal matters. The exchange, to be set up from a re-organised Hong Kong Commodities Exchange, is also talking now of links abroad, perhaps with Philadelphia, to counter Singapore's novel tie with the Chicago Mercantile.

● The Kuala Lumpur Commodities Exchange, hit by substantial defaults in palm oil futures trading a year ago, has still not recovered, although trading continues in rubber. Changes in the

exchange's structure are expected soon, following investigations conducted over the past few months. It is hoped not only to revive palm oil futures trading but also to introduce tin and cocoa futures.

● There is talk of a Japanese financial futures market being established in Tokyo before the end of the year. The Ministry of Finance is said to be considering the idea of trading in yen bond futures, adding to the deregulation already taking place in other financial fields. But the whole concept of a futures exchange remains an anathema to the Japanese authorities.

Some of these doubts, difficulties and delays are still trying to see fully to grips with the idea. In Singapore, no one doubts that the link with Chicago, under which positions opened in one exchange can be liquidated on the other in separate trading sessions, has worked well technically and opened the way to round-the-clock futures trading. The uncertainties focus on why

volume has been inadequate. There is talk of encouraging more locals to join the exchange and of introducing more contracts. The authorities also plan to introduce comprehensive legislation this year governing financial futures trading.

The principal hold-up in Hong Kong has been the finalisation of the exchange's rules, in particular those concerning the eligibility of member firms and those relating to compensation by the exchange in the event of member's defaults.

Although the exchange will not compete directly with Singapore—the contracts will be different—the hope is that the colony's more free-wheeling business climate will make it a greater success.

The first financial futures contract to be traded in Hong Kong will be a stock index contract based on the local Hang Seng index.

Currency futures contracts involving the U.S. dollar and Hong Kong dollar are likely to follow, and contracts for metals or additional agricultural products are mooted.

In Malaysia the authorities' principal aim is not to try to compete with other exchanges but simply to develop futures trading in the commodities the country produces.

## Higher profile being taken

France  
DAVID MARSH

FRENCH futures markets have kept a low profile for some years with only sporadic sorties into the limelight, usually occasioned by the whiff of scandal rather than by any scent of success.

Now, this is changing as the Paris financial and commodity scene becomes gradually influenced by world-wide futures market expansion, the result of a breakdown of traditional demarcation lines between different sectors.

Additionally, the French Socialist Government appears to be more convinced than the previous right-wing administration of the need to buttress and build upon the Paris futures markets in order to avoid losing further ground to the dominant marketplaces of the Anglo-Saxon world.

The surest sign of growing interest in French futures is that a dispute has broken out in Paris over the setting up, perhaps for later this year, of the capital's first financial futures market.

Under a plan put forward at the end of last year by the French Stockbrokers Association, in liaison with the Finance Ministry, futures dealing for bonds is to be introduced.

M. Michel Wiart, president of the French Commodity Brokers Association, has complained of lack of consultation over the project.

He said it appeared "paradoxical" that discussions over the new scheme were going ahead without the participation of the Paris commodity broking community.

He recalled that a series of measures had been put into effect to strengthen the commodity sector, including a properly functioning clearing system and the establishment at the end of last year of an official commission to supervise the Paris markets.

The brokers association is also worried about plans, supported by regional farmers, to set up further commodity markets around France. M.

Wiart said these ran the risk of being financially unsound. They include projects for eggs, chicken and pork markets, following the recent introduction of potato futures trading in the northern city of Lille.

As for the Paris market itself, which trades principally in robusta coffee, cocoa beans and white sugar (a soyabean contract reopened in 1982 has been moribund), 1984 was a year of consolidation against the background of generally depressed world commodity markets.

The three main sectors increased trading volume by 2 per cent last year, compared with falls of 19 per cent and 11 per cent respectively in London and New York.

Paris remains a futures trading minnow however, making up 8.2 per cent of international trading in robusta coffee, cocoa beans and white sugar last year. This compared with 25.9 per cent for London and 65.9 per cent for New York.

The most important Paris market, white sugar, accounts for 98 per cent of trading volume, giving Paris a share of 9.8 per cent in this sector worldwide (against only 1.6 per cent in cocoa and 0.5 per cent for coffee).

Compared with 1979, the Paris share of the three markets in total has nevertheless risen from only 3 per cent.

To breathe more life into the cocoa and coffee sectors, the brokers association is discussing introducing effective dollar or sterling quotations for non-residents. This follows a switch from French francs already introduced for white sugar. And the association could bring in a new contract—cocoa butter—next year to respond to demand for trading in this material from the chocolate industry.



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## Closer overseas ties

## Australia

LACHLAN DRUMMOND

THE ORIGINAL title — The Sydney Greasy Wool Futures Exchange — gives a clear guide to the underlying reasons for the Australian futures market getting off the ground.

In the 25 years since its foundation, the name has been pared back to the Sydney Futures Exchange but while the title has been trimmed, the range of contracts available for trading has been continually upgraded to meet changing requirements and to match international developments.

This push to link with the world markets will be taken a substantial step forward this year when a trading arrangement with the Commodities Exchange in New York is completed for gold futures. Only Government approvals are awaited.

Once the arrangements are complete, traders will be able to open contracts in either centre and close them in the other, with the Comex clearing house likely to be used to provide the common settlement link.

The move will extend the trading hours for the Comex con-

tract and from the Australian end should breathe some life into a contract which has been dormant for some time.

Gold futures were introduced to the Australian market only in 1978, after bans on personal gold holdings were lifted, and became the third contract after wool and live cattle (introduced in 1975) to be traded.

As well as being among the most recent, the contracts based on the Australian All-Ordinaries Share Price Index (SPI) and 90-day bank bills, have proved outstandingly popular with investment and financial institutions seeking to hedge various exposures, and with the speculative traders.

The SPI contract regularly dominates trading and produces average daily contract turnovers of around 750. The interest rate contract provided by the 90-day bank bill has been joined by the two-year and 10-year Government bond futures, although only the 10-year contract has found much favour. The bank bill contract vies with the index futures in daily volume.

The U.S. dollar contract, introduced in 1980 after eight years of negotiation with the Government, is the third most active contract, with recent average volumes of more than 200. Other contracts turnover 60 or less each day.

Of the range of financial

futures traded, only the 90-day bill contract is deliverable, the remainder being settled mandatorily in cash.

Silver and fat lambs fill out the current range of contracts available, although the exchange this year expects to introduce an additional product, exchange traded on wool.

It is expected the options on futures will be limited to the bank bill, share price index and U.S. dollar contracts in the early stages. It is also anticipated that with the ability to sell the options to a third party—rather than being left with abandoning or exercising the option—that greater depth will flow to the options market and that it will stimulate additional futures trading.

As with all existing futures contracts, the International Commodities Clearing House (ICCH) will hold the premiums on the options on futures. The 28 floor members of the exchange are also members of the exchange clearing house along with ICCH.

The Sydney Stock Exchange has recently introduced dealings in gold and silver options. Through participation with the European Options Clearing Corporation, Amsterdam, Montreal and London, Sydney's arrangement will enable selected options to be traded on a 24-hour basis around the world.

## Gold contract initiative

## The Netherlands

LAURA RAUN

AMSTERDAM'S futures markets have a modest and ephemeral history but may get a boost from the planned introduction of gold futures trading in a couple of months.

Trading in potatoes and live hogs, the only active markets at the moment, is conducted between participants over-the-counter, that is via telephone and telex. Without an actual trading floor these markets operate on a low profile, largely serving as hedging and speculative instruments for Dutch farmers.

Domestic market participants account for around 70 per cent of turnover with foreigners making up the rest, according to the Nederlandse Liquiditeitskas (NLK), the clearing house for futures transactions. Trading is supervised by the General Foundation for Future Markets, a non-profit organisation.

Dealings in live hogs have been most buoyant in recent years, with turnover quadrupling to an estimated 12,000 contracts last year, compared with 1981 when the market was established.

Pig farmers have turned increasingly to live hog futures for hedging their stocks and meat away from the older pork meat futures market, which was begun in 1977. As volume in pork meat futures plunged, trading

was suspended and the market is no longer active.

The most durable market has been that for potato futures, which have been changing hands since 1958. Volume has proven quite erratic, though, with turnover for large potatoes (60 mm) trebling to 132,945 contracts in the 1983 crop year (November to May) but then plummeting by half to 60,349 in 1984.

Less successful have been the futures markets in eggs, calves and cocoa, all of which have become moribund in recent years.

The most promising initiative in Holland's futures markets has come from the European Options Exchange (EOE), which plans to launch gold futures in April. Such a market would be the first for gold futures in Continental Europe, and may stand to gain from the expected closure of London's troubled gold futures market.

The Amsterdam-based EOE will put up half of the capital for the gold exchange and provide the trading floor, although the management and membership will be separate from the EOE. Mr. Tjerk Westertierp, general director of the EOE, says the gold futures market will initially be designed for Dutch investors, but hopes are that it will become an international market capable of competing with New York. Trading is to begin as a two-year pilot programme to determine whether Amsterdam can

attract sufficient business to survive in the increasingly competitive atmosphere of global money centres.

At first, contracts will be based on a half kilo of gold and priced in Dutch florins, thus appealing primarily to Dutch institutional investors. It is believed, however, that large Dutch pension and investment funds will find gold futures attractive enough to provide the liquidity necessary to offer an international market.

If volume grows satisfactorily, additional contracts would be priced in dollars and based on 100 troy ounces of gold. These are the contract specifications of the New York Commodity Exchange, the world's leading gold futures market, and could open opportunities for arbitrage and hedging between the two markets.

Mr. Westertierp also says a financial futures market—initially geared to domestic participants—could follow by the end of this year. Trading could be conducted adjacent to the gold futures market, with the EOE again taking half of the share capital. The management would probably be the same as the gold futures exchange while membership could be linked.

The contracts would be based on domestic Dutch interest rates, which are quite close to Eurorates, due to the Netherlands' comparative lack of capital controls. The first two contracts would probably cover short-term money market rates and long-term government bond rates.

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## International Futures 6

## Innovation becomes basis for expansion

The U.S.  
NANCY DUNNE

WHILE THE total number of futures traded in the U.S. climbed 6.32 per cent to 149m last year, volume was down in seven of the 11 American exchanges.

Even among the exchanges which did well overall, declining volatility in many key markets made clear that innovation and change must continue if the futures industry is to sustain anything like its extraordinary growth of the past.

The Chicago giants — the Board of Trade (CBT) and the Mercantile Exchange (CME) — were both among last year's winners, because both foresaw the need to hedge their traditional markets with new futures and options tools.

On the Chicago board, trading in the Agricultural Complex, dragged down by world farm surpluses, plunged to below 3m contracts, down from 3.5m in 1983 and 5.4m in 1980. However, volume in the exchange's two important financial contracts soared. Here uncertainty over long-term interest rates provided a demand for treasury bond and treasury note futures.

T-bonds continued to be the industry's most popular product with a volume that rose from 19.5m in 1983 to almost 30m in 1984. Six and one-half to ten-year treasury notes turned in a volume of 1.68m last year, up from 814,500 in the previous 12 months.

The CBT's much delayed, and controversial, Major Mar-

ket Index, similar to the Dow Jones Index, came from virtually nowhere to achieve a yearly volume of 1.5m. It is throughout to be cutting into the business of the sole viable contract on the New York Futures Exchange — the New York Stock Exchange Index.

The strength of treasury bond futures has been carried over into the T-bond options, where volume climbed to 6.5m. The board's first agricultural option contract — soybeans — turned in a healthy 75,000 volume last year.

"This will be the year of the option," says one CBT spokesman. Maize options were to be launched on February 27, silver options are tentatively scheduled for March 29 and treasury note options are expected some time in June.

It is also the year of more indices. A municipal bonds index, developed at the urging of the municipal securities industry, is to be introduced in April or May. An index based on over-the-counter stocks, developed with the National Association of Securities Dealers, was to be submitted for approval to the Commodity Futures Trading Commission (CFTC) in mid-February, and the CBT hopes to get agreement soon with the London Stock Exchange to trade the first international index, the FT-SE 100.

Over at the CME, it was the stock index contract, the Standard and Poor 500, which saved last year by turning in a volume of 12.4m. Eurodollars took off in 1984, after three years of build-up. Trading contracts rose from 891,000 in 1983 to 4.2m last year.



Action, however, slowed in most CME pits. Livestock

volumes declined and most of the currency volumes fell, with the exception of Deutsche Marks and Swiss francs. Domestic 90-day certificate of deposits dropped from more than 1m trades in 1983 to 228,000 trades in 1984.

The CME's option contracts — S and P 500 and Deutsche Marks — turned in a good showing with volumes of 673,000 and 728,000, respectively. Live cattle futures moved steadily but unspectacularly with a volume of more than 20,000. Options on live hogs, introduced on February 1, seem to be building faster than did cattle options.

The exchange's managers

hope to boost 1985 volume with three new options contracts. Two currency options — on the British pound and the Swiss franc — started on February 25 and Eurodollar options are scheduled for March. The CME is also planning an over-the-counter stock index, now being developed with Standard and Poor.

Futures volume fell just 2 per cent last year on the Mid-America Exchange where its new president, Mr Lee Berendt is talking of adding more full-sized contracts in order to become more cost competitive.

This year the Mid-Am plans to introduce contracts in soybean oil and soybean meal, as well as options on its current soybeans contracts.

The New York exchanges seem to be edging slowly towards the merger which industry officials think ought to happen — for reasons of increased efficiency — and never seems to happen.

Negotiations between the New York Futures Exchange (NYFE) and the Commodity Exchange (COMEX) collapsed early this year when the two sides were unable to come to an agreement on a whole range of issues ranging from different seat values, exchange organisation and the size of governing bodies.

"Our constituencies are very different," says Mrs Rosemary McFadden, president of the New York Mercantile Exchange (NYMEX). "I think a merger will be an evolutionary process, occurring in stages," she adds.

Many of the first stages seem visible. Last summer COMEX began handling the tallying of buy-sell orders and related paperwork for the New

York Cotton Exchange. This could be a step towards a joint clearing operation.

NYMEX has worked a deal with the New York Cotton Exchange (NYCE) so that its members can trade the NYCE's liquid propane gas, and Cotton Exchange members can trade the NYMEX cash potato contract.

Going even further, the Cotton Exchange has announced plans to trade a U.S. dollar index based on the Federal Reserve Board's Trade-weighted Dollar Index and calculated against eight European currencies, the yen and the Canadian dollar. The exchange says it would permit floor traders from the Coffee, Sugar and Cocoa Exchange (CSCE), COMEX and NYMEX to trade the new contract for their own accounts.

CSCE officials say they are "definitely considering" opening their new index contract, based on the consumer price index,

to outside traders when it is introduced in the spring.

Meanwhile, the New York Futures Exchange says it is considering merger talks with the Cotton Exchange or perhaps, relocating the NYFE on part of the COMEX floor.

NYMEX, last year's fastest growing exchange, is planning a natural gas future later in the year, but meanwhile, mainly, is relying on continued growth from its existing contracts, particularly crude oil futures.

COMEX retained a remarkably high turnover on its gold and silver contract in view of the depressed state of these markets last year. Turnover of over 9m lots kept gold futures as the fourth biggest market, and silver with an increase to 6.7m lots retained its position as sixth largest.

Trading in options for gold and silver rose sharply, and it is planned to introduce copper options later this year.

## Options Contracts Traded on U.S. Exchanges

Option	1982	1983	1984
Chicago Board of Trade	118,772	1,664,921	6,634,209
T-Bond	—	—	72,359
Soybeans	—	—	—
Chicago Mercantile Exchange	—	281,090	672,584
S and P 500	—	—	727,634
Deutsche Mark	—	—	20,722
Live Cattle	—	—	—
Kansas City Board of Trade	—	168	—
Value Line Index	—	—	878
Wheat	—	—	—
Minneapolis Grain Exchange	—	—	624
Spring Wheat	—	—	—
Mid American Grain Exchange	—	—	318
Gold	—	—	2,149
Soft Red Winter Wheat	—	—	—
NY Coffee, Sugar & Cocoa	1,842	7,583	11,908
Sugar	—	—	—
NY Commodity Exchange	56,736	386,501	1,432,514
Gold	—	—	80,542
Silver	—	—	—
NY Cotton Exchange	—	—	3,978
Cotton	—	—	—
NY Futures Exchange	—	395,682	246,359
NYSE Composites	—	—	—
TOTAL	177,550	2,646,865	9,228,141

Source: Futures Industry Association.

## Steps to improve competitiveness

The UK  
JOHN EDWARDS

in difficult market conditions, while the rival contract in New York struggled hard.

The development of a domestic UK agricultural futures markets complex continued, and plans have also been formulated for the launch in May of the world's first freight futures contract (known as Biffex — the Baltic International Freight Futures Exchange).

If successful Biffex could open up futures trading to a whole new international industry, with huge potential.

Last year may, in fact, prove to have been a turning point for the London futures industry. The hard times suffered by the exchanges, and the member companies, appear to have galvanised them into taking some positive action to improve their competitiveness and try to stop the flow of business overseas. It has been belatedly recognised that speculation is not a dirty word but an essential ingredient to a successful futures market.

The first, and most important, step has been to push ahead with plans to improve investor protection. This is part of a general move throughout the City of London to give investors a fairer deal, but it is particularly important for the UK commodity exchanges.

A series of scandals highlighted the need for greater regulation, which is now seen as an essential part of the drive to attract more business from overseas. Originally when the U.S. Commodity Futures Trading Commission was formed, London anticipated gaining extra business from traders who disliked the bureaucratic rules and regulations on the

U.S. exchanges. In fact exactly the opposite happened. It has become apparent that most investors and traders prefer to deal in tightly regulated futures markets, where they feel safer, rather than in the less controlled, free and easy, atmosphere of London.

It is hoped that the proposed self-regulatory organisation, the Association of Futures Brokers and Dealers (AFBD) will become fully operational within the next few months. Although several problems, including the cost, remain to be resolved, the AFBD is likely to have wide sweeping powers that could bring a radical change in the attitude of investors to the London market.

At the same time it is hoped that the UK Government will shortly alter (possibly in the forthcoming Budget) the existing tax treatment of investors in the futures markets, harsh when compared with other forms of investment.

The recent White Paper on investor protection also held out hope that the outdated legislation forbidding the promotion of futures funds in the UK would be changed to allow these funds to operate onshore with direct appeal to British citizens.

These measures should help boost domestic use of the London futures markets, giving them a firmer base on which to launch a campaign to win more overseas business, especially in Europe.

At present most of the European futures business goes to the U.S. London as the leading

European financial centre, with a long history as an international commodity trading centre and all the necessary infrastructure, considers it should be more than competitive for futures business from the European time zone in particular.

At the same time talks are being held to try and change the existing situation whereby U.S. private investors face paying a higher rate of taxation when trading in the London markets.

London considers this to be a ridiculous anomaly that can and should be put right. Meanwhile, members of the London Commodity Exchange have demonstrated their long-term faith in the prospects for the markets by agreeing to an ambitious plan to move into larger, purpose-built premises at the beginning of 1987.

Funds to meet the cost, estimated at around \$4m, have already been set aside by the exchanges. It is hoped that in years ahead the new development on St Katherine's Docks, close to the Tower of London, will become the centre for all London's futures markets.

There is ample room for expansion and, as the New York exchanges found, there are considerable benefits available from grouping different exchanges in a common building.

There may be strong resistance to the idea, especially from the London Metal Exchange, at present. However, the rising cost of keeping several "floor" traders in different markets, and the general trend of futures brokers to extend their activities across the board, might bring a change of heart in the year ahead.

In any event, the London exchanges seem to have woken up to changing attitudes in futures trading and are taking steps to strengthen their position to compete not only with other futures markets overseas but also with alternative forms of investment.

## Futures Volumes on U.S. Exchanges

EXCHANGE	Contracts 1984	%	Contracts 1983	%
Chicago Board of Trade	67,667,952	45.30	62,811,523	44.89
Chicago Mercantile Exchange	43,449,682	29.08	37,530,044	27.04
Commodity Exchange, Inc.	15,447,038	12.35	20,014,597	14.30
New York Mercantile Exchange	5,344,995	3.58	3,926,589	2.81
Coffee, Sugar & Cocoa Exchange	4,185,832	2.80	4,876,069	3.48
New York Futures Exchange	3,456,798	2.31	3,510,285	2.51
MidAmerica Commodity Exchange	3,101,855	2.06	3,166,537	2.26
Kansas City Board of Trade	1,897,803	1.27	1,693,942	1.21
New York Cotton Exchange	1,476,510	.99	1,703,185	1.23
Minneapolis Grain Exchange	340,732	.23	379,607	.27
Chicago Rice & Cotton Exchange	2,978	.01	13,542	.01

Source: Futures Industry Association

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5 million ounces of gold are traded on COMEX, dwarfing activity on conventional gold markets.

In 1982 COMEX introduced options on gold futures. These options are setting new volume and open interest records even with gold prices tame and flat.

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# SECTION II - INTERNATIONAL COMPANIES

## FINANCIAL TIMES

Tuesday March 5 1985

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### Frates joins new bid for Frontier

DALLAS - A group of investors led by Mr. Joseph Frates, a Tulsa, Oklahoma, businessman, and a coalition of Frontier Airlines employees have joined forces in an effort to acquire the ailing airline for \$185.8m, or \$18 a share.

It is not clear whether the group will be able to arrange financing in time to save the troubled airline, however.

The proposal supplants a \$220.4m or \$19-a-share bid that the employee group made for the company in December. The latest offer is among a number of options, including liquidation, that the company's board is considering.

The Frates-led group plans to keep the airline's base in the competitive Denver market, according to Mr. Will McFarlane, chairman and president of Airco, a closely held Denver-based hotel development and investment concern which is a member of the group.

Mr. Frates and his Frates Enterprises group led investors last year in a leveraged buyout of Kaiser Steel for \$314.4m, paying only \$1m of its own money to complete the deal and financing the balance with Kaiser's cash reserves and the sale of the company's assets.

The proposed buyout of Frontier would be similarly structured. Investors would obtain financing for the purchase using Frontier's assets as collateral. These assets include about \$30m in cash, an estimated \$50m from an overfunded pension plan and 33 Boeing 727-200 aircraft.

Eastern Air Lines, the major U.S. carrier, said its lenders had requested certain covenant relief that the company had requested, thereby curing the company's default.

Eastern said it went into default on February 1 when it could not produce a business plan which met the requirements of earlier loan agreements.

### Mostek lays off 620 as semiconductor slump continues

BY LOUISE KEHOE IN SAN FRANCISCO

UNITED Technologies' Mostek subsidiary announced yesterday that it is laying off 620 production workers, about 10 per cent of its U.S. workforce, blaming the continuing downturn in the semiconductor industry.

Mostek is also reviewing all its overseas operations. The company has a large assembly and test facility in Ireland.

Mr. Harold L. Ergott Jr., Mostek's president, said: "The cutbacks are necessary because of the continuing low level of demand for dynamic RAMs (Random Access Memory) and other integrated circuits, which has forced us to join other U.S. semiconductor makers in reducing our workforces."

"We will introduce more new products this year than ever before, and we are moving ahead with plans to maintain our production facilities at the state of the art," said Mr. Ergott.

Mostek's action follows layoffs at Texas Instruments, Intel, Seag Technology, Micron Technology and Zilog as well as temporary shutdowns at National Semiconductor, Signetics and Monolithic Memories.

A leader in the market for 64k D-Rams, Mostek has been hit harder than most U.S. chip makers by a steep drop in prices of these components. Each 64k D-Ram now sells for under \$1 each, down from \$3-\$4 a year ago. Mostek ranks as the eighth largest U.S. semiconductor manufacturer, with 1984 revenues of approximately \$430m.

### New offer halts Deak Perera disposal

By WILLIAM HALL in New York

PLANS to auction the Zurich-based Foreign Commerce Bank (Foco-bank) to pay off the debts of Deak & Co, parent of the U.S. money changing group, have been suspended after the emergence of a mystery bidder for the whole of the Deak-Perera financial empire.

Several financial institutions, including, Dow Banking Corporation, the Beirut-based Bank Almahrek and AIG, the U.S. insurance giant, had bid for Foco-bank, a small Swiss bank with subsidiaries in Austria and the Cayman Islands. Foco-bank has a 49 per cent stake in Deak-Perera U.S. and a "substantial interest" in Deak National Bank, a small U.S. bank.

However, a U.S. bankruptcy court judge adjourned a hearing last Friday on the planned sale of Foco-bank until April 12. Lawyers for Deak & Co, which has filed for protection under Chapter 11 of the U.S. bankruptcy code, and creditors supported the adjournment. The move was criticised by several of Foco-bank's bidders.

Cadwalader, Wickersham & Taft are the U.S. lawyers representing the client interested in financing a reorganisation of the Deak financial empire, an empire which controls the oldest and largest foreign exchange and precious metals.

The Wall Street law firm refuses to disclose the name of its client but says that it has been involved for many years in many of the same businesses as Deak and Foco-bank "and has sufficient assets to effect the contemplated transaction, has the qualifications to obtain the requisite Swiss banking authority approvals, has offices and facilities throughout the world and would be in all respects capable of managing Foco-bank and/or Deak after an acquisition."

Deak & Co has terminated an earlier stock purchase agreement under which it agreed to sell Foco-bank to Dow Banking.

## Mitsubishi expands into Europe

BY ALAN FRIEDMAN IN MILAN

PIAGGIO, the leading Italian maker of mopeds, scooters and three-wheelers, has signed a joint venture agreement with Mitsubishi Heavy Industries of Japan. The plan allows the Italian company to manufacture under licence turbo compressors for the motor industry in the European market.

The agreement, signed in Tokyo by Mr. Takayuki Azuma of Mitsubishi and Sig Giorgio Brazzelli, managing director of Piaggio, is designed to last for 10 years and is Mitsubishi's first attempt to manufacture turbo compressors for Europe and in Europe.

According to estimates by Piaggio, the goal is to take as much as 20 per cent of the European market by the end of this decade, which would make Mitsubishi-Piaggio the fourth supplier in Europe after KKK of West Germany, IHI of Japan and Garrett of the United States.

This target is based on an assumption of a European car market of 10m units, of which a fifth represent turbo cars. Piaggio hopes to produce about 400,000 turbo compressors a year, starting in 1987.

The Mitsubishi deal could have profound consequences for Piaggio's group turnover, which in 1983 stood at L800bn (\$286m). It also signals the intention of Mitsubishi Heavy Industries to use Italy as its main export platform for the European market.

● Sig Carlo de Benedetti's Turin-based CIB holding company announced yesterday that its Sasib subsidiary has won a L100bn (\$47.8m) contract from China's National Tobacco Corporation. Sasib is to supply, beginning in 1986, machinery for the cigarette market in China as well as technical knowhow and spare parts.

The deal represents one of the larger contracts won by an Italian company in China and the largest awarded by the China National Tobacco Corporation. In recent months contacts between Italian companies and Peking have intensified, with Fiat Tractors winning hefty orders and Italy's machine tools manufacturers also finalising new agreements.

● In Milan yesterday, Seamprogetti, the plant engineering and contracting subsidiary of the ENI state enterprise corporation, said it had been appointed "main contractor" for the construction of a \$800m fertiliser plant in India.

## Andersen to study link with SGV

BY BARRY RILEY IN LONDON

ARTHUR ANDERSEN, the world's biggest accountancy firm, is to discuss close trading links with SGV, the Philippines-based firm which dominates the accountancy and professional services sector in the Far East, apart from Japan.

SGV's chairman, Mr. Washington SyCip, is the best known accountant from the region and is currently chairman of IFAC, the International Federation of Accountants.

The firm has 3,500 personnel and 150 partners, and besides the Philippines it is active in Indonesia, Thailand, Malaysia and Taiwan.

However, it is understood that the partners in the South Korean practice have decided to remain outside the relationship now to be discussed with Andersen.

The plan is that SGV will join Andersen's worldwide organisation, but a statement by Andersen yesterday avoided the word merger.

Mr. Duane A. Kullberg, managing partner and chief executive of Andersen, referred to a "closer working relationship" which, he hoped, would be formalised within six months.

A considerable degree of autonomy is expected to be retained by SGV. In the past it has had a number of loose relationships with various big international firms, including Andersen.

A tie-up with SGV would give extra geographical coverage to Andersen, which worldwide has more than 27,000 personnel, including 1,700 partners.

## \$490m agreed bid for Hoover Universal

By Our New York Correspondent

JOHNSON CONTROLS, a Milwaukee-based industrial conglomerate, is making an agreed \$490m takeover bid for Hoover Universal, a Michigan engineering company, in a move which will create a major new supplier to the U.S. auto industry.

Johnson is making a cash tender offer for up to 8m of Hoover's 13.4m outstanding shares at \$36.50 a share. It is also offering 0.83 shares of Johnson stock for each of the remaining Hoover shares as long as the Johnson share price is in the range of \$40 to \$45 a share.

Johnson's shares fell \$1 to \$43.74 in early trading yesterday, while Hoover's rose \$8.4 to \$35.

The two companies say that the combined corporation will be the largest independent manufacturer of seating for cars and light trucks, supplying all U.S. operations of domestic and foreign car companies. It will also be the leading supplier of plastic bottles and containers. Hoover will strengthen Johnson's position as an important supplier to the automotive industry.

Johnson is a leader in automated building controls, automotive batteries and industrial process instrumentation and piping systems.

## Bechtel orders show sharp fall in 1984

BY OUR SAN FRANCISCO CORRESPONDENT

BECHTEL of the U.S., the world's largest construction and civil engineering company, suffered a huge drop in its volume of business last year. New orders placed with the San Francisco-based company plummeted 61 per cent to \$5.1bn, from a record \$15bn in 1983. An improvement "is not anticipated before 1986," said Mr. Stephen Bechtel, chairman.

Work performed and billed, which Bechtel refers to as revenue, dropped 39 per cent to \$8.8bn from \$14.1bn in 1983. The company, which is privately owned, does not disclose earnings, but Mr. Bechtel said that 1984 had been profitable.

Explaining the drop in new work, Bechtel said that 1983 had been an exceptional year. The company won a contract for a major power plant in Texas and was at that time receiving new orders from ongoing projects in the Middle East. Most of that work has now been completed.

"We must remember that 1980 to 1983 were extraordinary years for Bechtel, mainly as a result of the surge in energy-related projects that followed in the wake of higher oil prices," said Mr. Bechtel. He called the fall in new orders "a return to historical workload levels."

Throughout the 1970s Bechtel averaged \$5.4bn in annual orders. The company expected 1984 to be a bad year: it had to lay off more than 9,000 workers.

Cancellations of a nuclear power plant in Michigan and a coal slurry pipeline project in Wyoming were among the causes of job cuts.

"Further, though much lesser" cutbacks might be necessary, the company says.

However, a U.S. bankruptcy court judge adjourned a hearing last Friday on the planned sale of Foco-bank until April 12. Lawyers for Deak & Co, which has filed for protection under Chapter 11 of the U.S. bankruptcy code, and creditors supported the adjournment. The move was criticised by several of Foco-bank's bidders.

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Deak & Co has terminated an earlier stock purchase agreement under which it agreed to sell Foco-bank to Dow Banking.

## Earnings boost at Alpagatas

By Ann Charters in Sao Paulo

SAO PAULO Alpagatas, Brazil's largest manufacturer of textiles, shoes and clothing, lifted 1984 profits to Cr 62bn (\$34m), up 82 per cent in real terms over the previous year's results.

The company attributed the improvement in earnings to a reduction in operating incentives and better administration of working capital.

Sales totalled Cr 927.9bn (\$506m) at the yearly average exchange rate, an increase of 215 per cent over 1983 sales of Cr 284.6bn.

## UPI chief sacked as owners seek capital

BY TERRY DODSWORTH IN NEW YORK

THE TWO principal owners of United Press International, the world's largest news agency, are seeking fresh outside capital for the company in a move which may mean relinquishing their control of the organisation.

In a joint statement yesterday, Mr. Douglas Ruhe and Mr. William Geissler added that the contracts of Mr. Luis Nogales as president of UPI and Mr. Ray Wechsler as financial consultant were being terminated. They gave no reasons.

The announcement comes after drastic action to cut costs at UPI last year, including a 25 per cent wage cut for the agency's 2,000 staff and redundancies of about 10 per cent. Mr. Nogales was generally regarded as the main architect of this move to trim operating costs, which included cancellation of all company credit cards.

These cost reductions helped the group make a \$1.1m operating profit in the final quarter of 1984, its first profit since 1963.

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Amro International Limited

Credit Suisse First Boston Limited

Deutsche Bank Aktiengesellschaft

Salomon Brothers International Limited

#### Swiss Bank Corporation International Limited

Banque Paribas Capital Markets

Den norske Creditbank

Samuel Montagu & Co. Limited

S. G. Warburg & Co. Ltd.

Akroyd & Smithers PLC Algemene Bank Nederland N.V. Australia and New Zealand Banking Group Julius Baer International Limited

BankAmerica Capital Markets Group Bank Getzwiller, Kurz, Bungeer (Overseas) Bank in Liechtenstein AG

Bank Leu International Ltd. Bank J. Vontobel & Co. AG Banque Bruxelles Lambert S.A.

Banque Generale du Luxembourg S.A. Banque Indosuez Banque Internationale a Luxembourg S.A.

Banque Nationale de Paris Barclays Bank Group Baring Brothers & Co. Bayerische Vereinsbank Bergen Bank A/S

Berliner Handels- und Frankfurter Bank James Capel & Co. CIBC Citicorp Capital Markets Group Commerzbank Aktiengesellschaft

Copenhagen Handelsbank A/S County Bank Credit Commercial de France Credit Lyonnais Credit du Nord

Credito Italiano Deutsche Gezeinschaftsbank Dominion Securities Pitfield Dresdner Bank Aktiengesellschaft Enakilda Securities

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Union Bank of Switzerland Wardley Westdeutsche Landesbank Girozentrale Wood Gundy Inc.

March, 1985



## INTERNATIONAL COMPANIES and FINANCE

## Fiat finally steers Lancia back to the black

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT, IN GENEVA

FIAT HAS successfully breathed life back into its Lancia subsidiary. This year Lancia's car sales should be well over 200,000, and it will make a profit for the first time in many years, said Sig Vittorio Ghidella, Fiat Auto's managing director yesterday.

He was formally launching the latest Lancia model, a small car called the Y10, which completes the renovation and renewal of the Lancia range.

Sig Ghidella recalled that when Fiat took over Lancia in 1969 it was to save a famous Italian company which was in danger of extinction. Lancia's sales had

fallen to as few as 40,000 cars and some observers believed the name would simply become a badge used for Fiat's top of the range models.

Instead, a separate range of Lancia models has been developed alongside those of Fiat. Sig Ghidella says that about one-third of Fiat Auto's \$1bn a year investment programme has been devoted to the subsidiary.

A separate dealer network has been established in most European countries, but Lancia has still benefited from the economies offered by being part of the Fiat group.

For example, the Y10 body will be assembled on the same heavily automated lines at Mirafiori as the best selling Fiat Uno, but will have its own final assembly line capable of producing well over 100,000 a year at the plant near Turin.

The Y10 will be the first car to use the so-called FIRE engine developed at a cost of \$35m by Fiat in co-operation with the Peugeot group of France. And some versions of the Y10 will be powered by engines from Fiat's subsidiary in Brazil.

Last year Lancia produced 191,000 cars including about 33,000 of the Autobianchi

Alliz models. According to Ghidella, the company broke even financially.

Lancia is close to achieving its targeted 10 per cent share of the Italian car market and has overtaken Renault to become the second best selling marque in the country after Fiat. With this domestic base it is worthwhile Fiat supporting a separate Lancia dealer network in export markets.

After much heart searching Fiat intends to continue to capitalise on the Autobianchi name, and will use it for the Y10 in Italy, France, Japan, Greece and Portugal while employing the Lancia badge in other markets.

Questioned about the recently reported discussions between Fiat and Ford, Sig Ghidella said they had been going on some time, and insisted that there was nothing sensational behind them—all car manufacturers were seeking ways to reduce costs in the face of over-capacity.

It was therefore natural that companies should see if there were benefits to be gained from the production of components, for example, or perhaps co-operation in some markets such as those in South America. Fiat Auto was talking to several companies, not only Ford, along these lines.

## Soc. Generale de Banque in rights issue

By Paul Cheswright in Brussels

SOCIÉTÉ Générale de Banque, the largest Belgian commercial bank, is to strengthen its balance sheet with a one-for-five rights issue.

The intention was announced as the bank declared a 1984 dividend of Bfr 225 net, unchanged from 1983. Profits for the year have not yet been posted, but officials said they would be of the same order as in 1983 when the net was Bfrs 2.8bn (\$41.5m).

No price has yet been set for the rights issue. That will come next month and the offer will go on the market in May. Shares closed at Bfr 3,425 yesterday. A one-for-five issue at that price would raise over Bfr 5bn. Discounted by 20 per cent the proceeds would be Bfr 4.04bn.

SGB is going to the market in order to maintain the balance between its equity and funds from outside sources. A larger equity base will enable it to take on more deposits, and enhance potential profitability. It thus means that the bank is going for an upturn in economic activity. During the first half of last year, deposits rose by 3.2 per cent over the end of 1983 and private sector credit facilities went up by 1.5 per cent.

The bank's main shareholder is Société Générale de Belgique, the biggest of the Belgian industrial and financial holding companies, with a stake of 20.95 per cent.

## Bank of Italy relaxes rule on bank branches

By James Sexton in Rome

BANK of Italy has announced a small but significant relaxation of its tight rules governing bank branches.

From now on banks will no longer have to get the Bank of Italy's permission to move a branch from one part of a town to another. They need only give the central bank notice of what they are doing.

They can also move branches within the 1,500 or so areas into which the Bank of Italy divides the Italian banking market, provided the Bank of Italy does not object within 30 days.

The relaxations indicate in themselves just how tight is the control the central bank exercises over the country's banks. The banks still must get permission to open branches in the first place.

In an implicit admission of the possible disadvantages of such rigid controls the bank stated that the changes would favour an increase in the efficiency of the banks.

The Bank of Italy's bank branch policy is designed to balance the need for competition with providing wide banking service. Up till now the areas into which the banking market is divided have been kept secret from the banks. This is to change later this year.

## Solid gain at Rabobank

By Our Financial Staff

RABOBANK, the Dutch bank co-operative which specialises in agricultural services, reports an increase from Fl 568m (\$148.7m) to Fl 619m in profits after tax for 1984.

The performance was achieved despite stiff competition for deposits and a general upward pressure on banking margins, the bank said. The year's bad loans provision was Fl 651m, marginally down on the Fl 675m of 1983.

Total assets at the end of the year stood at Fl 127.4bn against Fl 118.3bn a year earlier.

## Banco de Bilbao ahead

By David White in Madrid

BANCO de BILBAO, Spain's fourth largest bank, announced an increase of almost 16 per cent in net profit for last year to Ptas 1,838,877 (\$63m).

The profit is struck after Ptas 35.8m of provisions. The dividend is Ptas 125 per share, up from Ptas 110.

The bank's balance sheet total increased by 5 per cent in the year to Ptas 2,111bn. Deposits were almost 11 per cent up at Ptas 1,305bn.

## Conti-Gummi boosts revenues

BY JOHN DAVIES IN FRANKFURT

CONTINENTAL Gummi-Werke, West Germany's largest tyre manufacturer, is continuing to build up business abroad as part of its overall strategy in the highly competitive tyre trade.

Sales revenue from key markets, including other European countries, has been growing faster than total revenue. Tyre production through its partners in the U.S. and Japan is increasing, while its partner in South Africa is also about to begin producing Continental tyres under licence.

Conti-Gummi increased its sales revenue from tyre production by 5 per cent to about DM 2.4bn (\$716m) last year, despite market disruption caused by the strike in the West German motor vehicle industry last May and June. The group's

overall sales, including other rubber products, was up from DM 3.34bn to about DM 3.5bn last year.

Sales revenue from European export markets increased by 10 per cent with revenue from Spain doubling during the past two years to the nevertheless modest sum of DM 60m. Revenue from North America rose 42 per cent and similar growth is expected there this year.

The group sold 20.1m Continental and Uniroyal car tyres last year, an increase of 3.5 per cent, and aims to sell 21.4m this year. Truck tyre sales rose 6.3 per cent to 2.3m. High-performance and wide tyres showed particularly strong increases.

Herr Wilhelm Schaefer, the board member responsible for

tyre marketing, said that production of tyres under licence by General Tire and Rubber of the U.S. and Toyo Tire and Rubber of Japan was building up. Co-operation with General Tire of South Africa is entering a new phase, with Continental tyres to be produced under licence shortly for use in local vehicle production by Daimler-Benz, BMW and Volkswagen.

Herr Schaefer said that Conti-Gummi's tyre business was profitable for the seventh year in succession, even though average was not profitable last year.

With over-capacity and strong competition in Europe, Conti-Gummi was pressing ahead with its emphasis on high performance and special tyres, such as those for winter, he said.

## Suez plans Roussel-Uclaf stake

BY DAVID MARSH IN PARIS

COMPAGNIE Financière de Suez, the French state-owned financial and industrial holding company, is on the point of taking a minority stake in Roussel-Uclaf, the French pharmaceutical group which is 54.5 per cent owned by Hoechst of West Germany.

The Suez group has reached agreement in principle to acquire a stake of less than 10 per cent from the French Government, which at present owns 40 per cent of the company.

Although the operation adds up to an exchange of assets in

the public sector, it represents an important bid by Suez to enlarge its industrial interests, especially in the high technology area.

Suez has been bidding to take over a stake in Roussel-Uclaf for over a year, in competition with the Rhone-Poulenc nationalised chemicals group.

Roussel-Uclaf, which narrowly escaped wholesale nationalisation after the Socialist Government took power four years ago, has sharply boosted profits over the past few years. Its shares yesterday were changing hands

on the Paris bourse at 178.600, more than five times the price of two years ago.

Telemecanique Electrique is to buy the industrial controls division of Gould of the U.S. The division consists of three plants with annual sales of around \$70m.

The two companies signed a letter of intent to the deal last December. No value is put on the transaction. Gould said the disposal was part of plans to realise some \$100m a year from the sale of unwanted assets.

## Pharmacia lifts earnings 24% to SKr 637m

By Kevin Done, Nordic Correspondent, in Stockholm

PHARMACIA, the Swedish pharmaceuticals and biotechnology group, increased profits by 24 per cent to SKr 637m (\$672m) last year in line with company forecasts. Turnover rose by 23 per cent to SKr 2.85bn.

Pharmacia expects profits to rise by a further 20 per cent during 1985, with a slightly higher increase in sales.

Sales increased more slowly in 1984 than in 1983, when they rose by 46 per cent helped by the 16 per cent devaluation of the Swedish krona.

The group's profits were helped by the group's greater financial strength following the injection of new capital towards the end of 1983.

Profitability was also helped by higher productivity, a substantial growth in the volume of sales.

Capital expenditure rose by 32 per cent to SKr 428m. Marketing expenditure rose by 26 per cent to SKr 863m, while research costs by 37 per cent to SKr 291m.

In common with other leading export companies, Pharmacia has received a dividend freeze. It is to increase its dividend to SKr 1 per share from SKr 0.80 per share in 1983.

A Swedish consortium led by Volvo, recently purchased a substantial holding in Pharmacia totalling 26.6 per cent of the votes and 6.4 per cent of the equity.

## KHD expects turnover to decline this year

BY PETER BRUCE IN BONN

KLOCKNER - Humboldt-Deutz, the Cologne-based diesel engine, tractor and industrial plant producer, has warned shareholders it expects turnover to fall this year after a 22 per cent rise to DM 4.6bn (\$1.37m) in 1984.

In a somewhat gloomy letter to shareholders, released yesterday, KHD did say, however, that it expected "satisfactory" results for 1984.

Engine sales fell, even though high speed models improved their market positions. The company blamed declining orders from construction equipment producers.

Tractor sales also fell, some 24 per cent below 1983 levels, despite strong exports.

Turnkey contracts to build cement factories in Saudi Arabia and Iraq had boosted the plant division, the company said. It based its pessimism on 1985 group turnover on the fact that no large plant contracts had been won for this year.

KHD said that although it was forecasting modest economic growth in industrialised countries this year, it saw no signs of a fundamental improvement in its particular markets.

## DSM expands into U.S.

BY LAURA RAUN IN AMSTERDAM

DSM, the Dutch state-owned chemicals company, has acquired Pexley-Richards, a small U.S. concern which makes high-precision plastic components for the electronics, telecommunications and computer industries.

The move is part of DSM's efforts to expand in higher value-added markets and thus lessen its vulnerability in the more critical bulk chemicals and fertiliser areas. The Eindhoven-based company is accelerating activities in

advanced plastics as well as specialty chemicals for the pharmaceutical and nutrition industries.

Pexley-Richards, which is based in Plymouth, Massachusetts, produces polymers and assembles them in precision parts such as integrated-circuit boards. The company, which has sales of \$26.4m and employs 500, supplies components to IBM, AT & T, Bendix, Eastman, Kodak, Motorola and Texas Instruments.

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NEW ISSUE

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February, 1985

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## The Rank Organisation Plc

(Incorporated with limited liability in England under the Companies Act 1929)

Notice to holders of the 4 1/2 per cent. Convertible Loan 1993 of The Rank Organisation Plc (of which US\$40,417,000 in principal amount is outstanding)

The Bonds representing the 4 1/2 per cent. Convertible Loan 1993 (the "Bonds") were constituted by a trust deed dated 15th February, 1973 (the "Principal Trust Deed") between The Rank Organisation Plc ("Rank") and Rothschild Trust Company Limited (formerly Rothschild Executor & Trustee Company Limited) (the "Trustee"), as trustee for the Bondholders.

The Board of Rank considered that certain provisions of the Principal Trust Deed required amendment and clarification in the context of Rank's development plans, including the disposal (announced on 24th January, 1985) of the Rank group's Canadian investment property interests. Given the delays inherent in convening a meeting of Bondholders to make the necessary changes to the Principal Trust Deed, Rank requested the Trustee to exercise its powers under the Principal Trust Deed to concur in certain arrangements (the "Security Arrangements"). The Trustee, being of the opinion that the Security Arrangements were not materially prejudicial to the interests of Bondholders, concurred in their implementation and gave its written approval (pursuant to its powers under the Principal Trust Deed) to the disposal of the Canadian investment property interests. The Security Arrangements are contained in a supplemental trust deed dated 24th January, 1985 (the "First Supplemental Trust Deed") entered into between Rank, the Trustee and Rank Overseas Holdings Plc ("ROH"), a wholly owned subsidiary of Rank.

The First Supplemental Trust Deed embodies arrangements under which, inter alia, ROH granted the Trustee, as security for sums which may become payable under the terms of the Bonds, a first fixed legal mortgage over US\$43,275,000 in cash (representing the principal amount of the Bonds then outstanding together with thirteen months' interest thereon). Accordingly, the Bonds are presently secured on such cash deposit, interest on which accrues to the benefit of the Rank group. Such cash deposit may be reduced as and when Bonds are redeemed or repaid. The First Supplemental Trust Deed also introduced a new definition of Principal Subsidiary and amended certain other provisions of the Principal Trust Deed. The amendments included the modification of Clause 6(A)(i) to provide that certain stated categories of transactions shall not constitute an event of default under that paragraph. Such transactions include actual or proposed sales of real or personal property or other assets by any wholly owned subsidiary of Rank to another such subsidiary or to Rank and, provided they are at full value as between a willing buyer and a willing seller (having regard to all the circumstances of the sale) in money or money's worth, sales by Rank or any of its subsidiaries to any person.

Details of the Security Arrangements are available in the statistical services of Extel Statistical Services Limited and were summarised in a notice to Bondholders which was published in the Financial Times on 29th January, 1985.

The provisions of the trust deeds now constituting the Bonds (being the Principal Trust Deed as amended by the First Supplemental Trust Deed) provide the Rank group with a suitable framework within which to pursue its development. However, the maintenance of the Security Arrangements involves Rank in certain costs and administrative inconvenience. Rank accordingly convened a meeting of Bondholders for 1st March, 1985 to consider, and if thought fit pass, an Extraordinary Resolution to implement further changes (the "New Proposals") to the trust deeds constituting the Bonds. The quorum required at that meeting was persons holding or representing Bonds totalling US\$37.5 million in principal amount (representing over 90 per cent. of the Bonds outstanding) and was not attained.

An adjourned meeting (at which the quorum requirements are as described in note 2 below) will be held at 11.00 a.m. at the Royal Garden Hotel, Kensington High Street, London W8 4PT on 22nd March, 1985. Notice of the adjourned meeting is set out below.

If the New Proposals put to Bondholders at the adjourned meeting are duly approved and implemented the Bonds will revert to their original unsecured status and the annual rate of interest on the Bonds will be increased from 4 1/2 per cent. to 5 per cent. with effect from 22nd March, 1985. If the New Proposals are not approved and implemented, the Security Arrangements will remain in force, and there will be no increase in the annual coupon on the Bonds.

The New Proposals will involve, inter alia, the following:-

- the release of the security under the Security Arrangements and the removal of the modification to Clause 6(A)(i) relating to actual or proposed sales at full value referred to above;
- the amendment of Clause 6(A)(i) of the Principal Trust Deed (which restricts Rank or any Principal Subsidiary from ceasing to carry on its business or a substantial part thereof) including the introduction of a threshold (15 per cent. of the group's gross assets and profits on ordinary activities before interest and tax) below which no disposal will constitute an event of default through a deemed cessation of business; and
- the introduction of a borrowings limit under which group borrowings (less cash deposits freely available to Rank) are limited to 1.5 times shareholders' funds after deducting intangible assets.

Copies of a circular to Bondholders providing background and explanatory information on the Security Arrangements and on the New Proposals which, if implemented, will supersede the Security Arrangements, are available for collection at the offices of Rank and the paying agents as set out below.

In accordance with normal practice, the Trustee expresses no opinion on the merits of the New Proposals. It has, however, authorised it to be stated that, on the basis of the information in the circular to Bondholders referred to above, it has no objection to the form in which the proposals are presented to Bondholders for their consideration.

The Board of Rank, who have been advised by S. G. Warburg & Co. Ltd., consider that the New Proposals are fair and reasonable and in the best interests of Rank, its Shareholders and Bondholders. Accordingly, the Board of Rank strongly recommends Bondholders to vote in favour of the Extraordinary Resolution to be proposed at the adjourned meeting on 22nd March, 1985.

## NOTICE OF ADJOURNED MEETING

NOTICE is hereby given that an adjourned meeting of the holders of bonds representing the US\$40,000,000 4 1/2 per cent. Convertible Loan 1993 (the "Bonds") of The Rank Organisation Plc (the "Company") which are constituted by a trust deed dated 15th February, 1973 and a trust deed supplemental thereto will be held at 11.00 a.m. on 22nd March, 1985 at the Royal Garden Hotel, Kensington High Street, London W8 4PT, for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as an Extraordinary Resolution in accordance with the provisions of the trust deeds constituting the Bonds.

## EXTRAORDINARY RESOLUTION

THAT conditional upon and with effect from the execution and delivery by The Rank Organisation Plc (the "Company") and Rank Overseas Holdings Plc ("ROH") of a Second Supplemental Trust Deed (a draft of which is now submitted to this meeting and, for the purpose of identification, initiated by the Chairman) with such modifications (if any) within the scope of this Resolution as the Trustee and the Company may agree, this meeting of the holders of bonds representing the US\$40,000,000 4 1/2 per cent. Convertible Loan 1993 (the "Bonds") of the Company which are constituted by a Trust Deed (the "Principal Trust Deed") dated 15th February, 1973 between the Company and Rothschild Trust Company Limited (formerly Rothschild Executor & Trustee Company Limited) (the "Trustee") as trustee and a Deed supplemental thereto dated 24th January, 1985 between the Company, the Trustee and ROH (the "First Supplemental Trust Deed") hereby:-

- sanctions the abrogation of the rights of the holders of the Bonds or of the coupons against the Company and ROH under the "Bonds" of the "Principal Trust Deed" and the First Supplemental Trust Deed, and the release to ROH of the security fund constituted thereby and sanctions any modification in respect of the rights of the Bondholders or couponholders in consequence of such abrogation and release;
- sanctions and assents to the modification of the provisions of the Principal Trust Deed:-
  - by the revision of the original definition of "Principal Subsidiary" in Clause 1 thereof;
  - by the revision of Clause 6(A)(i) thereof; and
  - by the introduction of a covenant on the part of the Company to restrict the borrowings of the Company and its subsidiaries as long as the Bonds remain outstanding, all as more particularly described in the circular to Bondholders dated 29th January, 1985 and as proposed to be effected by Clause 4 of the said draft Second Supplemental Trust Deed;
- authorises and empowers the Trustee to concur in and execute a Second Supplemental Trust Deed for the purposes aforesaid in the form of the said draft Second Supplemental Trust Deed with such modifications (if any) within the scope of this Resolution as the Trustee and the Company may agree and to concur in, execute and do all such other deeds, instruments, acts and things as may be necessary to carry out and give effect to this Resolution; and
- sanctions every modification, variation, abrogation or compromise of arrangement in respect of the rights of the Bondholders or couponholders against the Company and ROH and against any of its or their property involved in or proposed to be effected by the implementation of this Resolution.

Dated 5th March, 1985

Registered Office:-  
6 Connaught Place,  
London W2 2EZBY ORDER OF THE BOARD  
B.C. Owens  
Secretary

## NOTES:-

- A Bondholder wishing to attend and vote at the meeting must produce to the Chairman of the meeting the Bond(s), or a valid voting certificate for the Bond(s), in respect of which he wishes to vote. Voting certificates may be obtained from any of the Paying Agents for the Bonds (during normal business hours for tender of Bonds or coupons) against production of the Bond(s) for endorsement with a note of the issue of voting certificates. Voting certificates are to be bearer and valid for 36 days from the date of issue. Should a Bondholder not wish to be present at the meeting in person, he may either deliver his Bond(s) or, where this has been issued, the voting certificate in respect of such Bond(s) to the person he wishes to attend on his behalf. During the period of validity of a voting certificate votes may only be cast upon production of such certificate.
- The persons present and entitled to vote at the adjourned meeting, whatever their number (subject to a minimum of two) and the amount of Bonds held, or represented by voting certificates held by them, will form a quorum for all purposes.
- Every question submitted to a meeting of Bondholders will be decided in the first instance on a show of hands. A poll may be duly demanded by the Chairman of the meeting or at least two persons present and holding Bonds or voting certificates together holding or representing in the aggregate not less than one per cent. of the nominal amount of the Bonds. On a show of hands every person who is present and produces a Bond or voting certificate has one vote. On a poll every person who is so present has one vote in respect of each US\$1,000 nominal amount of Bonds so produced or represented by such voting certificate.
- An Extraordinary Resolution means a resolution passed at a meeting of Bondholders duly convened and held in accordance with the provisions contained in the Principal Trust Deed by a majority consisting of not less than three-fourths of the votes cast thereon. An Extraordinary Resolution is binding upon all the Bondholders whether present or not at such meeting and upon all holders of coupons appertaining to the Bonds.

## AVAILABILITY OF DOCUMENTS

Copies of the circular to Bondholders referred to above, together with the documents specified therein, will be available for collection or inspection as specified in the said circular at the offices of The Rank Organisation Plc, 6 Connaught Place, London W2 2EZ, England and the offices of the undermentioned paying agents during usual business hours on any weekday (Saturdays and public holidays excepted) up to and including 22nd March, 1985 and will also be available at the adjourned meeting.

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## INTL. COMPANIES & FINANCE

### State acts to save Cathay Investment from collapse

BY ROBERT KING IN TAIPEI

IN A MOVE to avert a major financial collapse, the Taiwan government has assumed control of Cathay Investment and Trust Company, one of a number of companies affected by disclosures of financial irregularities and defaults by affiliates of the Cathay group of companies run by the Tsai family.

The Ministry of Finance has appointed three state-run banks, the Bank of Communications, the Central Trust of China, and the Farmers' Bank of China, as joint managers of the company until its assets and liabilities are clarified.

Cathay Investments has been hit by a crisis of confidence sparked by disclosures that the Tenth Credit Co-Operative, an affiliated company, had for some time been engaging in irregular lending practices.

A further disclosure that another affiliate, Cathay Plastic Industry was insolvent triggered a run on the Cathay

Investment that over the past three weeks has cost \$375m in deposits.

Fears that the steadily drying cash flow would cause the company to collapse and thus affect public confidence in five other trusts had apparently prompted the government takeover.

Police last week arrested the head of both Cathay Plastic and Tenth Credit, Mr. Tsai Chen-Chou, on charges ranging from the writing of bad cheques to fraud. They have also arrested more than a dozen other officials over the alleged lending irregularities.

Mr. Tsai's half-brother, Mr. Tsai Chen-Nan, is head of Cathay Investment.

The MoF said that Mr. Tsai of Cathay Investment had himself suggested the government's intervention because the arrest of his brother had seriously eroded confidence in the company.

Foreign bankers in Taipei

are seriously worried that Cathay Investment's troubles are more critical than Mr. Tsai has admitted. One banker estimated privately that foreign bank lendings to Cathay Investment and to leasing companies under its mantle might run as high as U.S.\$200m. He added that many believed a government takeover of the Trust was the only thing that could prevent its total collapse.

Cathay Investment is believed to have guaranteed significant amounts of the loans taken out by Cathay Plastic. In addition, around \$375m worth of commercial paper guaranteed by the company is maturing and, with deposits withdrawn and additional credit hard to come by, its collapse would have been a certainty without intervention.

Yesterday, the MoF instructed representatives of local banks to continue to meet credit commitments to Cathay Investments for as long as it is necessary

### Interim net profits at Boral 26% ahead

By Michael Thompson-Noel in Sydney

BORAL, Australia's largest building, construction and natural gas group, and its 13th biggest company, seems set to break the A\$100m full-year profits mark, following a 26 per cent boost in net profit for the six months to December to A\$54.1m (U.S.\$38.4m).

The interim dividend has been raised by an effective 20 per cent, to 7.5 cents a share, following last year's one-for-five scrip issue. Earnings per share rose from 15.5 cents a share, to 19.5 cents a share.

Boral's Australian businesses gained greatly from a sharp increase in house building and road construction, and sales also improved in the U.S. Overall, turnover was ahead 14.5 per cent to A\$770m from A\$670m.

Trading losses at Waltons Bond, the retailing and property affiliate of Bond Corporation of Perth, were cut from A\$6.9m to A\$2.1m (U.S.\$1.5m) in the half year to January 31 and the directors expect a significant improvement in retail activities in the current half.

Mr. Kerry Packer's Consolidated Press Holdings now owns a 10.6 per cent stake in the company.

### Woolworths Australia pays more

By Our Financial Staff

WOOLWORTHS, one of Australia's leading retailers, has reported net profits of A\$60.7m (U.S.\$43.8m) for the year to January 30 compared with A\$56.94m previously.

Earlier this year G. J. Coles, the country's largest retailer, took a 9.9 per cent stake in Woolworths — which is not related to the UK or U.S. retailers of a similar name — in what was seen as a protective move against a potential bidder.

Net profits were struck after tax of A\$43.21m, depreciation of A\$27.22m and interest charges of A\$16.22m, but before an extraordinary profit of A\$264,000. The final dividend of 10.5 cents makes a total of 16 cents for the year, against 15 cents for 1983.

Turnover rose from A\$3,240m to a record A\$3,690m and the company says that sales are continuing strongly this year.

### Midterm loss for Kirsh Trading

BY JIM JONES IN JOHANNESBURG

KIRSH TRADING, the South African retail and wholesale group, has reported a net loss of R900,000 for the six months ended December despite a rise in turnover to R1,470m (\$717m) from R1,350m.

Operating profits dropped to R41.2m from R42.1m and the interest bill rose to R31.5m from R18.1m. For the year to June 1984, turnover was R2,630m, operating profits R77.3m, and interest charges R41.8m.

The net loss compares with an attributable profit of R1m in the first half of 1983.

Mr. Nathan Kirsh, the chief executive, said 17 new stores had been added to the Checkers chain, South Africa's largest supermarket chain, and the full cost was absorbed during the half year.

The furniture retailing division has been badly affected by Government austerity measures introduced last year, including a tightening of hire purchase

regulations and higher interest rates. The Dions Discount retail chain suffered a R14m foreign exchange loss which exacerbated the problems of tougher trading conditions.

A 5 cents interim dividend has been declared on a loss per share of 1.1 cents. Last year's first-half earnings were 36.1 cents and a special interim dividend of 10 cents was paid. For the full year earnings were 36.4 cents and the dividend total was 20 cents.

### Safren lifts first-half earnings

BY OUR JOHANNESBURG CORRESPONDENT

SAFREN, the South African shipping, hotels and trading group, increased operating profits by 25 per cent in the six months ended December to R153.4m (\$75m) on turnover up by 32 per cent to R925m. For the year to June 1984 turnover was R1,450m and operating profits were R243.5m.

After a substantially higher interest bill of R31.6m and increased depreciation of R38.8m interim pre-tax profits were R90.5m against R82.8m. For all 1983-84 the pre-tax

result was R155.7m.

Safren was formed on July 1 1984 from the merger of Safmarine, the shipping line, and Rennie's, the hotels and trading group.

The interim dividend is 26 cents from earnings of 76 cents a share on a total of 76 cents targeted for the full year. Interim earnings were 72 cents a share last year and 151 cents was earned for the full year.

Commercial Union South Africa, the 45 per cent-owned offshoot of Commercial Union,

of the UK suffered an underwriting loss in the second half of 1984 but increased earnings for the year. At the interim stage there was an underwriting surplus of R3.1m but the year as a whole it was only R507,000.

Investment income for 1984 increased to R11.2m from R8.7m and net profits rose to R9.5m from R9.0m.

Earnings came to 118.6 cents a share against 112.9 cents and the dividend total has been increased to 39 cents from 35 cents.

### Net surplus up by 11% at Gulf International Bank

BY MARY FRINGS IN BAHRAIN

THE OLDEST and most conservative of the major Bahrain-based offshore banking units Gulf International Bank, has reported net profits for 1984 up by 11 per cent to \$63.9m.

Assets at \$7,420m were almost back to the 1983 year-end level of \$7,447m, after a dip to \$6,000m at end June. Loans were marginally higher at \$4,170m against \$4,040m, while time deposits slipped from \$6,470m to \$6,340m.

The proposed dividend is unchanged at \$23.8m. No mention has been made of

specific or general loan loss provisions; GIB has always stressed a "low risk, low reward" approach to lending, and in any case has substantial inner reserves. Shareholders' equity has been boosted from \$427m to \$580m by the issue of \$22.5m of new shares and the addition of \$40m of retained earnings.

The bank was established in 1976 and is owned by the six Gulf Co-operation Council states and Iraq; its chairman is, Mr. Abdullah Hasan Saif, the Governor of the Bahrain Monetary Agency.

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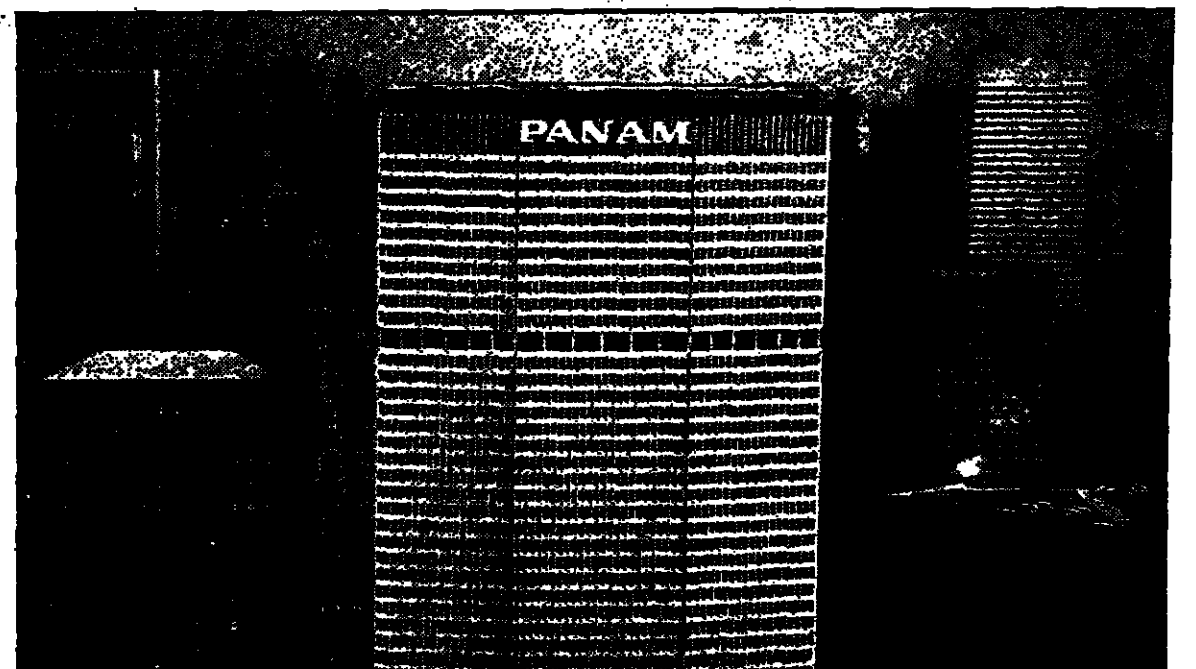
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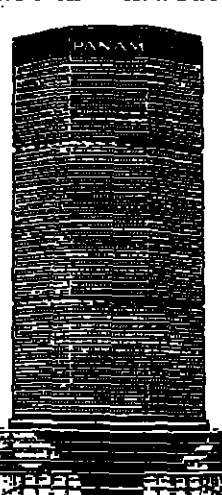
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## UK COMPANY NEWS

## Hawley's annual sales running at over £400m

THE STRATEGY for the expansion of the Hawley Group has been supported by the results achieved in 1984, when profit has more than doubled from £14.23m to £31.49m.

Mr Michael Ashcroft, the chairman, says the group has established a corporate structure that will pave the way for next decade's expansion. Already the current year's turnover is running in excess of £400m annually.

"We have never been so confident of the future as we are today. Our core businesses are sound, our management is strong, our cash flow is superb," he tells shareholders.

The group's expansion strategy has been centred on those service industries which feature strong, positive cash flow with low capital demands. In 1984 all divisions returned record trading figures.

The U.S. operation of cleaning, maintenance, security services and lawn care made substantial progress in establishing themselves as leaders in their sectors, with cleaning, particularly well, in the South East and "sun belt" States.

In the UK, the cleaning division achieved a record turnover, establishing itself after only four years as the third largest operator in this sector, while the

home improvements side has become the biggest in that sector in the UK.

Following reorganisation of Hawley Group and Electro-Protective by schemes of arrangement, Hawley Group is the new parent company of the whole group.

Turnover rose by £161m to £268m in 1984 and the operating profit moved ahead from £16.76m to £37.43m. Interest charges more than doubled to £8.95m (£2.53m).

A split of the pre-tax profit shows cleaning and maintenance accounted for £8.69m (£1.96m), home improvements £9.83m (£4.87m), security £8.82m (£4.58m), travel and leisure £3.23m (£1.78m), and associated companies £7.8m (£2.15m). Central costs, financial services and discontinued activities totalled £2.74m (£1.11m).

Geographically, the profit was earned as the UK £11.73m (£4.82m), North America £17.77m (£7.83m) and rest of the world £1.93m (£1.59m).

Tax takes £5.96m (£2.63m) and minorities £4.59m (£2.7m), leaving the net attributable profit at £26.88m (£12.94m) for earnings of 11.4p (6.4p) per share. This time there is an extraordinary credit of £410,000 (debit £1.14m). A second interim dividend of



Michael Ashcroft... ready for the next decade's expansion

1.07p is declared, to give a net total of 1.25p (1.55p).

Mr Ashcroft says trading for 1985 has started well, with turnover already running in excess of £400m per annum. Organic growth is encouraging—the U.S. cleaning and hospital division recently secured a new three-year, \$18m hospital maintenance contract, and in the UK the corresponding division has been awarded the cleaning of its

tenth hospital.

The home improvements division has absorbed Kitchens Direct and Moben Kitchens will benefit from "a year of consolidating its leading position in this growth sector."

The U.S. security division can confidently expect to see the benefits of the modernisation and rationalisation expenditure of the last two years.

In cleaning and maintenance services the key element of its growth has been its appreciation of the differing needs of large, small and specialist contracts, while increasing the overall range of services offered.

The American side operates from 75 branches in 25 States, with turnover having advanced 300 per cent in the year and staff employed rising to 15,000. There will be further expansion opportunities in the current year, and there will be the mid-West and West Coast areas for consideration in the next few years. The UK turnover was increased by 105 per cent and staff employed rose to 18,000.

Home improvement interests based in the UK incorporate the design to installation of a range of fitted kitchen and bedroom furniture, the replacement window and door market, and the instant hot water shower market. All continued to exceed the average rate of growth in their expanding sector, says Mr Ashcroft.

The U.S. security services division recorded sales of \$72m, while the lawn care company is profitable and expanding service now the third largest in "this some 25 per cent higher."

See Lex

## Williams Hldgs' £24m bid rejected by Jackson

By Paul Ham

Williams Holdings, the specialist plastic engineer and motor vehicle dealer, yesterday launched a £24m bid for J. & H. B. Jackson, the plastics and forging group.

Williams is offering five of its own ordinary shares at 230p and eight cumulative convertible preference shares, of 5 per cent redeemable in 2005, for every 20 ordinary shares in Jackson.

The offer valued Jackson ordinary shares at 104.75p, based on Williams' ordinary share price of 242p and preference, share price at 110p, and would benefit both companies since their activities were "complementary rather than competitive," according to the Williams directors.

Jackson's closed at 109p, 25p, while Williams at 242p were up 13p.

Jackson flatly rejected the offer. Directors described it as "unsolicited and unwelcome, and it failed to recognise Jackson's great financial strength and future."

They said it offered inadequate value, was in an unacceptable form, and would be strongly opposed.

**Future**

Williams and Jackson show diverging trends in their results for 1984. Williams, looking forward with a return to profits while Jackson suffered a slackening of profits.

However, the chairman of Jackson, Mr J. P. White, said yesterday the immediate future looked brighter and the current first quarter figures supported a guarded degree of optimism.

In the year to September 30, 1984, Jackson showed pre-tax profits down from £2.55m to £2.67m, and turnover up holders will receive a dividend of 1p, up from 0.55p.

Williams forecast a dividend of 2p in 1985, the first since 1980. The company made a pre-tax profit of £1.92m in 1984 compared with losses of £76,000.

Managing director of Williams, Mr Brian McGowan, said yesterday that Jackson provided a natural "fit" that would create a combined group with net assets of more than £30m and net borrowings of under £5m.

While both Williams and Jackson have diversified into plastics and vehicle distribution, their base foundry and engineering operations, the main motivation behind the bid was the desire by Williams to expand into the U.S. plastics market.

Williams intends to sell plastic chain in the U.S. under its Ewart brand name, made from plastic components supplied by its Rotolac plastics subsidiary and tooling by Tillotson, a plastic tooling company that Williams acquired two weeks ago.

**Potential**

Mr McGowan said: "The potential of the U.S. market is colossal. Jackson has the distribution strength we need in the U.S. and with the current exchange rate we cannot afford not to be in that market."

Williams also hopes to revitalise Jackson's ailing forging division, which experienced the worst results for a decade in 1984, and develop Jackson's Ford dealership interests. Largely because of over-capacity in the European car industry and consequent price-cutting, these had an extremely difficult time in the year to September 30, 1984, and no improvement is expected in the foreseeable future Mr. White said yesterday.

Williams, who currently operates seven shops in the UK, all around London, is costing it just £300,000. But earlier expansion is planned over the next three years, initially around Greater London and thereafter in both the North and South.

Debenhams said yesterday that it expected to see some 50 outlets opened by the end of the second quarter. Its partner in the venture is Hans Anders (Holland), which in a few years has built up a chain of 50 shops in the Netherlands and has no connection with Debenhams department stores.

But an American optician's chain, Pearle Vision, has been operating in Debenhams stores for the past four years and experience with this has encouraged the group to turn its attention to the High Street. Deregulation has made it a much more interesting market, and we believe it has a substantial future," a spokesman said yesterday.

Competition among optical outlets is likely to increase from April with the ending of National Special Eyes and For Eyes on the over-the-counter market, each aiming to raise capital for chains of opticians' shops, while Ratners, the jewellers, has linked up with Prestwich Holdings in a deal designed to create a major nationwide chain of opticians.

**Hanson loan holders convert 92%**

Holdings of 32 per cent of Hanson Trust's 94 per cent convertible loan stock 2001-06 have exercised their right to convert into Hanson ordinary shares at the first opportunity.

Hanson said yesterday that holders of £75.02m of the £81.5m of loan stock in issue had opted to convert. As over 75 per cent of the stock had been converted, Hanson intended to exercise its right to require conversion of the balance.

Total conversion will involve the issue of 196.6m Hanson ordinary shares, which will increase the total in issue to 1.19bn shares, a rise of just under 20 per cent.

**Dividends Announced**

Current payment of dividend

British Vita 2.2  
Derek Bryant 2.2  
Hawley Group 2nd Int. 1.07  
Medimaster 1.95  
Ransomes Sims 1.4  
Royal Insurance 1.4  
Woodhouse & Rixson 0.75

Dividends shown pence per share net except where otherwise stated. \* Equivalent after allowing for scrip issues. † Unquoted stock.

## Royal Insurance falls £87m as losses in the U.S. accelerate

Royal Insurance yesterday opened the composite insurance reporting season by announcing a pre-tax profit of just £11.2m for 1984 compared with £96.4m in 1983.

A tax charge of £17.6m, around 150 per cent — meant that the company recorded a net loss of £6m for the year, compared with a profit of £96.4m in 1983.

However, Royal is lifting its final dividend payment from an equivalent 14.4p after adjustment for the one-for-four scrip issue, for the one-for-four scrip issue, an increase of 4.2 per cent over the previous year's 22.8p equivalent.

Underwriting losses last year soared from £200.6m to £347.4m, with losses in the U.S. rising from £139.9m to £220.2m. In Canada from £20.8m to £53.8m and in the UK from £24.1m to £42m.

Allocated investment income of £237.4m resulted in a general insurance overall of £110m, which investment income on capital and reserves trimmed to £96m. Thus the total growth in investment income of 10.2 per cent, an underlying profit rate of nearly 8 per cent, was not sufficient to cover the rise in underwriting losses.

It needed an 18 per cent increase in underwriting profits from £17.5m to £20.7m and an increase in associated company profits from £11.2m to £13.5m to produce a pre-tax profit of £10.2m.

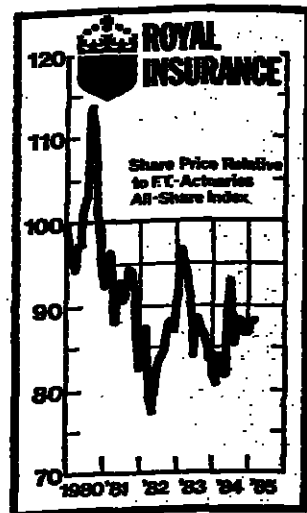
General insurance premiums written rose by 28.8 per cent from £1.91bn to £2.27bn with an underlying growth rate of 10.1 per cent. The strong rise in worldwide stock markets saw capital and reserves up from £1.65bn to £1.83bn (including £245m for long-term business) and a solvency margin of 64 per cent.

The main problem for Royal remains the U.S., which accounts for 42 per cent of its worldwide underwriting losses. Underwriting losses on its commercial business — two-thirds of its total — climbed from U.S. \$175m to \$233m. Commercial multi-peril business saw losses of \$94.5m, workers' compensation \$63m and commercial automobile \$36m.

In addition to the gross underwriting loss on commercial lines business Royal was hit by a 9 per cent rise in numbers of claims as the U.S. economic recovery got under way — an increase that the company did not anticipate. This added some \$40m to the claims bill.

However, the moves towards a realistic pricing structure gathered momentum during 1984, with a rise in multi-peril premiums of 32 per cent in the final quarter (40 per cent in December).

However, Mr Alan Horsford, Royal's chief executive, warned that the company required a further round of substantial increases to put the business on a satisfactory basis and that the



full benefits of the present pricing actions would not be obtained until towards the end of 1985 and into 1986.

The other major factor hitting Royal's worldwide results was the deterioration in Canada, mainly as a result of claims in local and judicial decisions. Recent decisions have gone against insurance companies and Royal has added some £20m to provisions for prior year claims.

This factor combined with inadequate premium rates saw underwriting losses in Canada fall substantially and a pre-tax profit in 1983 of £15.2m turn into a £16.4m loss in 1984. Premium income rose 7.7 per cent in local currency, largely accounted for by rate increases in commercial lines.

Business in the UK was hit by the severe weather losses at the beginning of 1984 of some £30m out of total weather losses of £96m. In addition, UK business was hit by a 31 per cent increase in numbers of subsidence claims, increased fire wastage and a sharp increase in the number of motor claims, particularly in the final quarter. These were 54 per cent higher overall and some 10 per cent higher in the final quarter.

The net result was Royal lost well over £10m on its house-building account and some £2m on its motor account. Losses on commercial business were around the same level as for 1983. Premium income rose 13 per cent to £94.1m.

Royal has increased the premium rates on its house-buildings insurance as from February 1 and on its motor business as from March 1. An increase in contents rates is coming later this year. The company warns that the cost of the severe weather so far this winter is not far short of last year's payout.

Elsewhere, business in Australia saw pre-tax profits lifted from £10m to £16.9m, after underwriting losses deteriorated very slightly from £3.2m to £3.7m, despite the impact of storm losses and bush fires towards the end of the year.

However, in Holland profitability was reduced from £5.5m to £3.6m.

Operations in the rest of the world produced an increased profit overall of £11.9m against £7.1m, with recovery in Europe being more significant.

Royal's reinsurance operations saw pre-tax losses more than double from £3.1m to £8.4m.

See Lex

## Debenhams to become a force in optical retailing

By Martin Dickson

Debenhams, the stores group, has taken a 50 per cent stake in Haus Anders, a chain of high street opticians, which it plans to build up into a substantial force in optical retailing.

Debenhams move is the latest in a series by companies expanding in the optical field as retailers cash in on the ending of the opticians' monopoly on spectacle sales last December.

Debenhams' stakes in Haus Anders, which currently operates seven shops in the UK, all around London, is costing it just £300,000. But earlier expansion is planned over the next three years, initially around Greater London and thereafter in both the North and South.

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## Carless in £37m U.S. oil deal

By Dominic Lawson

Carless, Capel and Leonard, oil exploration company, is paying \$8.6m (£37m) for U.S. oil and gas assets owned by LTV, the third largest U.S. steel producer.

The properties are in Alabama, Ohio, Pennsylvania and West Virginia. They include rights to gas and oil under about 280,000 acres, of which 221,000 are undeveloped.

Independent estimates suggest that Carless is buying proved developed reserves of 37bn cubic feet of gas and 816,000 barrels of oil. These reserves are producing at a rate of 10m cu ft of gas and 200 barrels of oil per day.

Dr Eric Boshard, a director of Carless, said yesterday that the deal would be paid for in

cash borrowed on existing lines of credit. He said revenue from the assets would be more than enough to fund the financing costs of the acquisition.

The assets would immediately give Carless revenues of \$10m a year, to supplement the \$6m a year it earns from its existing U.S. portfolio, he said.

The cost of the acquisition is 95 per cent backed by the value of the proven production assets. Dr Boshard conceded that there were no prospects for big oil fields on the undeveloped acreage, but said exploration would be very low-cost.

One advantage of the deal is that the mineral leases being acquired are very long-term and,

in the case of the Alabama acreage, perpetual. Dr Boshard said this gave Carless the opportunity to develop the area at its own speed.

LTV acquired the assets last year when it took over Republic, a U.S. steel company. It had no interests in Republic's oil and gas assets and LTV already knew Carless as a drilling partner in another U.S. energy venture.

Carless will sell the gas from the properties to LTV under a 15-year sales contract. LTV already buys Carless's Ohio gas and to avoid the creation of a false market in its shares. These were suspended just after lunch yesterday at 130p, up 2p.

A package is expected to be announced tomorrow when Blagden unveils its 1984 results.

## Blagden suspends share deals as talks progress

By Martin Dickson

SHARE DEALINGS in Blagden Industries, a manufacturer of steel drums, plastics products and chemicals, were suspended yesterday at the company's request pending an announcement about a reorganisation and possible acquisition.

The company said it was at an advanced stage in negotiations which might lead to a major acquisition. It had requested the suspension view of the "substantial nature" of the deal and to avoid the creation of a false market in its shares. These were suspended just after lunch yesterday at 130p, up 2p.

A package is expected to be announced tomorrow when Blagden unveils its 1984 results.

Blagden has long made plain its keenness to go on the acquisitions trail, but until last year it was hampered by its relationship with City Investing International, a large U.S. group which held a 42 per cent stake in Rheem Blagden, the principal operating subsidiary of Blagden.

The two companies reached an agreement last year under which City gave up its stake in Rheem Blagden in exchange for a 29 per cent stake in the parent company, making it easier for Blagden to finance takeovers by equity rather than cash.

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## UK COMPANY NEWS

## British Vita plans to build up foam interests in Europe

BY STEFAN WAGSTYL

British Vita, the foam, fabrics and fibres company, is planning to buy the foam interests of the Belgian chemicals group, Solvay, for about £9m.

British Vita, which also yesterday announced increased sales and profits for 1984, said it was in talks with Solvay, which could lead to a formal offer being made.

The discussions concern foam manufacturing plants in the Netherlands and West Germany and a licensing company in Switzerland, which together have annual sales of about £25m.

The proposed acquisition, which British Vita expects might be completed by the summer, follows its £2.5m purchase last year of a French group, Tranco.

The company, which has interests in Africa, Australia and Canada, as well as in the UK, said that the latest planned acquisition would fit into its policy of extending its interests in Continental Europe.

For Solvay, this is the second attempt in recent years to sell its foam interests. Between 1982 and 1984 it was in discussions with Shell and the Belgian group company FRB, but the planned sale was thwarted by an anti-monopoly ruling from the European Commission.

British Vita refused to comment on the profit record of the planned acquisition, but said the purchase price was about equal to the net asset value.

The group's pre-tax profits for 1984 increased 12 per cent to £11.8m (£10.5m) on turnover 26 per cent higher at £138m (£110m).

The UK accounted for £4.4m (£4.1m) of pre-tax profit, the Continent for £1.8m (£1.5m), and the rest of the world for £5.5m (£5.5m).

After tax of £4.4m (£3.9m), minority interests of £134,000

(£123,000) and extraordinary items of £898,000 (£418,000), attributable profits were £6.4m (£6.2m), making earnings per share of 24.3p (22p).

The final net dividend is 3.2p (2.72p adjusted), making 6.3p (5.36p adjusted).

The extraordinary charges are largely due to the costs of reorganising two UK divisions—textiles and consumer products.

The company says that demand in the UK is forecast to continue at present levels, but could fluctuate with changes in interest and mortgage rates. In Europe, all companies are confident for the year ahead, and overseas continued growth is expected in many areas.

## Comment

The planned acquisition fits neatly into British Vita's expansion plans, doubling its sales on the Continent in one fell swoop and giving it a strong presence in West Germany for the first time. While the company is saying nothing about the profits of its intended purchase, the group's experience with Tranco should reassure shareholders that British Vita will not pay over the odds and will be able to manage the acquisition successfully. Given the group's minuscule profits record it is no surprise that the shares, up 2p to 194p, trade on a modest multiple of about seven—assuming full-year profits of £13m pre-tax and a 38 per cent tax charge. In time, this should improve as the low-quality African earnings decline in importance and the UK and Continental businesses are expanded. But this is unlikely to happen quickly and in the meantime investors would do well to hunt around for similarly-rated stocks—which nevertheless manage to pay higher dividends.

## Australian expansion for Hogg Robinson

THE Australian subsidiary of Hogg Robinson Group has completed a series of acquisitions

strengthening its insurance broking business in Australia.

The principal transaction is the purchase for A\$2.0m of the insurance and reinsurance broking and underwriting agency business of the Armstrong Nisbet Group.

Also acquired is the pension fund management and life insurance agency business of the Barrett Harris Group for A\$0.8m.

Hogg has also bought out for A\$1.2m the minority shareholder in Australia. All purchases were for cash and have been financed by medium-term borrowings in Australia. The aggregate historic pre-tax profits attributable to the assets purchased are approximately A\$1.1m. The sterling equivalent of the purchases is approximately £2.5m.

Mr Robin Nisbet, principal of the Armstrong Nisbet Group, becomes chief executive of Hogg Robinson Australia, under a three-year service contract. Mr Nisbet's family company has subscribed for A\$1m of new shares in the Australian subsidiary, representing 25 per cent of the enlarged equity. The balance being held by Hogg Robinson.

## Burmah's French acquisition

Burmah Specialty Chemicals has purchased Mazdar Europe, a French specialty printing ink company.

Nazdar manufactures inks, varnishes and allied products for the French screen printing industry and has a well established position in this specialist sector of the French market.

Sales are at the rate of FF7.20m per annum and the company has a modern production plant at Melun, outside Paris.

The acquisition will significantly strengthen Burmah Specialty Chemicals' existing position in the European screen printing supply industry.

In 1983 it established a printing inks division with the acquisition of Sotex Group, Sericot is a market leader in the UK and has built up a strong position in France, Germany and Switzerland.

Well over 50 per cent of Sotex's UK production is exported throughout the world.

Privatbanken plans for UK expansion

Privatbanken, the third biggest Danish bank, plans to inject £20m (£7.7m) of new capital into its London subsidiary to help fund the offshoot's expansion plans in the UK banking market.

The capital, in the form of a subordinated loan, has been agreed by the parent company and requires approval from the Bank of England.

Mr Christian Frigast, chief executive of Privatbanken Ltd, the London unit, said the bank hoped to expand its business with UK corporate clients who lacked business links with Denmark and other Scandinavian countries. Privatbanken was looking to exploit niches such as the financing of management buyouts.

The London unit's total capital resources, including £11.5m of present subordinated loan stock, was £20.5m at the end of 1984. Pre-tax profits rose from £1.3m in 1983 to £1.5m, while assets rose from £264.3m to £257m, mainly reflecting the weakness of sterling against the U.S. dollar and Danish kroner, in which the majority of the bank's assets are held.

CVD on target

CVD Incorporated, U.S. manufacturer of optical materials for military and commercial purposes, whose shares are traded on the US34, announced increased profits of \$882,000 (£547,000) against \$441,000 in its first interim statement to December 2 1984.

There will be no interim dividend, as stated in the prospectus, but directors expect to recommend a dividend of 2 cents for the full year, payable in October.

Turnover was up at \$2.01m (£1.76m) while earnings per share rose to 2.6 cents (2.5 cents).

The board says that orders in hand indicate that second-half turnover will be higher and that it is on target for the \$1.56m profit forecast in the prospectus.

The company, which is expanding in the U.S., is considering production in the UK, either alone or with a company in the defence field.

Mercantile and Gen.

The 1984 results of the Mercantile and General Reinsurance Company of America, a wholly-owned U.S. reinsurance company within Prudential Corporation, show that underwriting losses on the general business deteriorated from US\$6.2m (£5.7m) to US\$10.4m (£9.6m) on net premiums written up from \$27.8m to \$31.5m.

Investment income, excluding realised gains or losses, barely moved ahead from \$6.1m to \$6.2m, leaving the company with about a \$4m pre-tax loss in 1984.

F.T. Share Information

The following securities have been added to the Share Information Service.

Devenish (A.) (Section: Beers, Wines and Spirits)

Whitworth's Food Group (Food, Groceries).

LADEROKE INDEX

Based on F.T. Index

977-981 (-12)

Tel: 01-427 4411

## Christian Salvesen en route for a £200m plus quote

BY STEFAN WAGSTYL

Christian Salvesen, one of the UK's largest private companies, is likely to be floated on the Stock Exchange later this year with a market capitalisation of at least £200m.

The Edinburgh-based group, which has interests in food processing and distribution, marine and oil services, and house-building, is expected to announce its listing plans following a board meeting on Thursday.

The company would become the largest new issue to come to the market from the private sector since the flotation of the Reuters electronic information and news group last June.

Descendants of the founder, Christian Salvesen, who came to Scotland from Norway in the 1840s, still own almost all the company's equity. The rest is in the hands of employee and institutional shareholders.

The first hint that the group might be floated came last year with a letter from Mr Gerald Elliott, the chairman, asking shareholders for their views on a quotation.

The company's financial advisers, merchant bank Kleinwort Benson, and its stockbrokers, Hoare Govett, have been involved in preparing the ground for a possible flotation.

Yesterday, Mr Elliott declined

to comment on the company's plans.

Last year Christian Salvesen increased pre-tax profits by 25 per cent to £28.2m on sales of £210.8m, with the largest contribution coming from the food services division.

The company is the biggest cold store operator in the UK, with customers who include Sainsbury and Marks & Spencer.

Salvesen also operates food distribution businesses on the Continent and, following an acquisition in 1981, in the U.S.

Its property division includes a house-building company which completed 2,335 homes last year and a brickmaking business. It has interests in North Sea oil services, in the hire and sale of diesel powered electric generators in the UK and on the Continent, and in shipping.

At the end of 1984, the company had borrowings of £12.2m, against shareholders' funds and minority interests of £108.6m. It has more than 5,000 employees, mainly in the UK.

Commenting on the prospects for 1985, Mr Elliott said in his annual report: "I am confident that we shall at least match last year's trading profits. I still see many opportunities for profitable growth."

## Medminster profit up 35%

A RISE in pre-tax profits of 34.6 per cent — from £179,000 to £241,000 — was reported by Medminster for the half year to December 31, 1984.

The company, a furniture hirer, shipper and forwarder, lifted turnover from £6.1m to £8.4m. The interim dividend is being increased from 1.75p to 1.95p. Last year's total was 4.85p net.

As regard current prospects, another favourable year is anticipated, says Mr John Delaney, the chairman.

During the half year under review, the increased turnover of the furniture hire companies was most encouraging, says the chairman. The figures do not include any turnover or profits from the new venture at White City for Camden Furniture Hire, but do include the costs involved in moving to the new location. The venture became fully operational from the first week in January.

## Strong dollar worries Polytechnic Marine

IN THE current year Polytechnic Marine is expecting a further acceptable level of profit growth, but says the impact of increasing costs of dollar-based components is having some detrimental short-term effects.

The group, a manufacturer of navigation equipment, traded on the US34, showed reduced turnover of £1.6m (£1.92m) and lower profit before tax of

£380,000, against \$425,000, for the 26 weeks ended November 30, 1984. Tax was down to £138,000 (£221,000) to leave earnings unchanged at 2.3p per share.

The directors report that the group has a strong international-based order book which is expected to deliver this year. Their forecast of profit growth provides that cost controls are held very tight and that targeted production levels are met.

Sales of GPS receivers continue to rise steadily and the company is confident that these will provide an increasing contribution to the long term performance.

On February 15, shareholders approved the change of name to Polytechnic Electronics to reflect expansion plans.

N.A.V. at 25.25

VIKING RESOURCES INTERNATIONAL N.V.

INFO Pionier

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Over-the-Counter Market									
High	Low	Company	Price	Change	Gross Yield	P/E	Dividend	Actual	Forward
142	122	Ass. Brit. Ind. CULS...	142	—	8.8	4.4	7.9	8.4	—
191	136	Ass. Brit. Ind. CULS...	191	—	10.0	8.6	—	—	—
77	51	Airpharm Group	77	—	6.4	11.4	6.2	7.4	—
42	28	Armstrong & Rhodes	42	—	2.9	8.3	4.4	7.3	—
143	108	Bardon Hill	143	—	3.4	8.4	14.0	29.0	—
58	42	Bry Technology	58	—	7.4	5.5	7.8	—	—
170	120	CCI Ordinary	170	—	12.0	7.1	—	—	—
110	85	CCI 11p Conv. Pref.	110	—	15.7	13.9	—	—	—
125	100	Carburenum Ltd.	125	—	10.7	12.4	—	—	—
86	60	Carburenum 1.5p H.	86	—	—	—	—	—	—
103	49	Cindelo Group	103	—	8.5	11.8	5.2	8.5	—
73	51	Deborah Services	73	—	3.7	12.1	15.9	—	—
162	102	Frank Hovell	162	—	9.6	3.7	10.6	13.7	—
261	170	Frank Hovell Pr.Ord.87	261	—	—	—	—	—	—
32	25	Frederick Parker	32	—	—	—	3.8	7.5	—
86	58	George Blair	86	—	—	10.0	7.4	8.0	—
50	27	Ind. Precision Castings	50	—	15.0	8.0	7.4	13.4	—
218	188	Isla Group	218	—	4.9	4.7	4.8	9.4	—
124	104	Jackson Group	124	—	7.2	2.4	8.4	—	—
283	213	James Burrough	283	—	12.9	15.0	—	—	—
83	63	James Burrough	83	—	5.0	5.9	8.7	12.3	—
87	71	John Howard and Co.	87	—	—	—	—	—	—
170	100	Lingaphone Ord.	170	—	15.0	15.8	—	44.0	—
100	83	Lingaphone Ord.	100	—	3.8	0.8	44.0	—	—
414	300	Munhouse-Holding N.V.	414	—	12.0	12.2	—	—	—
120	31	Robert Jenkins	120	—	5.7	17.8	14.8	3.9	—
80	28	Soruton	80	—	4.3	1.2	21.0	20.7	—
82	61	Tordax & Carlisle	82	—	1.3	5.0	12.8	18.2	—
444	370	Trevian Holdings	444	—	7.5	7.9	3.3	11.3	—
27	17	Unilack Holdings	27	—	17.4	7.7	5.4	10.7	—
58	31	W. S. Yeates	58	—	—	—	—	—	—
247	224	W. S. Yeates	247	—	—	—	—	—	—

## To the Holders of FANUC LTD

## 3 3/4% Convertible Bonds 1998

NOTICE OF FREE DISTRIBUTION OF SHARES AND ADJUSTMENT OF CONVERSION PRICE

Pursuant to Clause 7 of the Trust Deed dated December 6, 1983 under which the above described Bonds were issued, you are hereby notified that a free distribution of Shares of our Company at the rate of 37 shares for each 100 shares held will be made to shareholders of record as of March 31, 1985.

As a result of such distribution, the Conversion Price at which Shares are issuable upon conversion of said Bonds will be adjusted pursuant to Condition 6 (C) of the Bonds from 7,032.3 Japanese Yen to 5,133.1 Japanese Yen effective in Tokyo on April 1, 1985.

FANUC LTD

Dated: March 5, 1985

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Development Capital for Private Companies

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## Smith &amp; Nephew Associated Companies plc

## Kleinwort Benson Limited

in conjunction with

## Grieverson, Grant and Co.

has completed a vendor consideration placing of 23,183,183 ordinary shares of 10p each in Smith & Nephew to raise \$57.9 million in connection with the acquisition of Affiliated Hospital Products, Inc.

ALEXANDERS "SUN" alexanders moon BRUNNSCHWEILER Grafton Supreme

codi astra flag talon american SPECTRUM

DaGama FIRE T Tootal Lebel ROBIA

You know Tootal. But do you know the international names behind our names?

Few people recognise the breadth of our international business. In the manufacture of thread Tootal is a world leader. Names like Spun Dee, Spectrum 1 and Talon, are brand leaders in the USA, as are Astra and Moon in the Far East.

In non-wovens Firet of Holland are the inventors of Coremat—invaluable for the construction and transportation industries. And Lantor, with its health care products and unique cable wrapping materials is making technological advances to the changing world.

Other important names are Da Gama in South Africa, with fabrics for apparel and furnishings, and in the highly specialised field of wax bank prints, Brunnschweiler produces fabrics which are the pride of West Africa and which are sold throughout the world.

Tootal Robia Voile is the brand leader in Africa for the Sudanese national dress. In Hong Kong, Singapore and Malaysia, Tootal Lebel add to our profits with trade in packaging, timber, garments and fashion fabrics.

The Tootal name itself means quality in many fields. The other names in our Group add up to quality and growth on an international scale.

**Tootal Group**

Our names add up to strength

If you would like to know more about us, write to the Secretary for a copy of our current Report & Accounts, Tootal Group plc, Tootal House, 19/21 Spring Gardens, Manchester M60 2TL.







## Ransomes Sims tops £5m and increases dividend by 33½%

A SURGE of £2.13m to £5.1m in profit before tax was achieved by Ransomes Sims and Jefferies in 1984. And the final dividend is lifted by 4p to give shareholders a total of 20p net for the year, compared with 15p.

"Benefit will continue in 1985 from the changes made over the last four years in relation to product specialisation, new organisation of manufacturing facilities, and there is still more to be done in that respect."

At present the directors are confident of a further improvement in the level of profit in the current year, reports the chairman, Mr. Astley Whitall.

He says the outlook on grass machinery is far further growth in trade both in the UK and overseas markets. The position on farm machinery is more difficult to forecast because of the uncertainties relating to the Common Agricultural Policy and the effect that will have on the farmers' purchasing power.

The momentum created on product development since the group's specialisation in precision grass machinery and farm machinery has continued throughout 1984 with the launch of new models in both divisions.

"The development pipeline continues to be full of new products and more will be launched this year," the chairman states.

Despite investment in the U.S. on Ransomes Florida and plant expansion in Wisconsin there has been a further reduction in group borrowings.

Profits are now stated at average rates of exchange ruling during the year rather than taking the year-end rate. This means that the 1984 group figure is £285,000 less than it would have been under the previous method of calculation, and that the 1983 figure is £285,000 less than it would have been under the previous method.

The directors feel that it is important to improve the marketability of the company's shares, and propose to convert the existing 11 shares into 25p and make a scrip issue of one new share for every old share held on May 1 (equal to one-for-four after the subdivision).

Group sales in 1984 moved ahead from £44.1m to £51.5m from which a trading profit of £6.74m, against £4.88m, was earned. Interest charges were cut to £1.44m (£1.7m).

After tax £1.86m (£1.06m) and minorities £20,000, ordinary shares came out at 62p (57.7p).

The overseas position at the end of the autumn farm machinery season, coupled with inclusion of stocks of the dealership in Florida and the fact that

### comment

The lines of communication between Ransomes Sims and Jefferies and the City have never been particularly clear but this time round the market was really wrong footed. At the beginning of the year Ransomes shares stood at just 40p, by yesterday morning they were 140p higher and during the trading session they climbed another 83p. The analysts—admittedly far and few between with this stock—had been looking for around £4 for 1984 with perhaps £5.1m for 1985. The £3.8m for 1984 surpassed every expectation. The weakness of sterling has obviously helped, but even so the City had seriously underestimated the buoyancy of Ransomes' figures. The group is still looking for strong performance from grass machinery in 1985, especially in North America, though the farming machinery division appears bogged down. With a following wind profits from the overseas division are expected to be a historic high of 10 to 12p, though Ransomes is not a share primed with potential growth.

## Woodhouse & Rixson maintains recovery

DURING THE second six months of 1984 Woodhouse & Rixson (Holdings) extended its recovery to finish the full year with pre-tax profits at £263,000.

Furthermore, the progress was maintained over the first two months of the current year with order books strengthened and margins held. A final dividend of 0.75p makes a net total of 1p (0.75p).

For the 1983 year Woodhouse plunged from profits of £543,000 to losses of £444,000.

However, following the sale of five loss-makers the group moved £24,000 back into the black over the first six months of 1984 and with improved order books, reduced overheads and the disposal programme completed a further improvement was looked for during the second half.

The directors believe the measures taken since May should extend the recovery into 1985 and they view prospects with confidence.

The retained businesses now comprise ring rolling, open and closed die forging and to a lesser extent, spring making.

Turnover for 1984 rose to £8,99m (£8.61m) and trading profits totalled £251,000 (£244,000). Interest charges were reduced from £100,000 to £59,000. Earnings amounted to 2.1p (3.4p) losses per 12p share after tax of £47,000 (£93,000 credit).

Below the line extraordinary debits accounted for £341,000 (£338,000). These comprised £18,000 in respect of the rationalisation for ring rolling and open die forging and losses from disposals.

## Derek Bryant rises to £1.4m aided by strong dollar

EXCHANGE RATE movements in 1984 benefited Derek Bryant, insurance group whose shares are traded on the USM.

The company, subsidiaries of which include a Lloyd's insurance broker and other companies providing insurance services worldwide, particularly in the U.S., reports pre-tax profits of £1.43m against £1.18m on increased turnover of £3.5m compared with £2.67m. Comparison figures are restated following the group's acquisition of I. R. Stock & Company during the year.

Minorities were £27,000 against £5,000, extraordinary credit was nil (£27,000) while tax was up at £68,000 (£58,000). Earnings per share were 29.32p (24.51p).

The final dividend is increased from 4p to 5p, making a total for the year of 7.35p against 6p a year previous.

Mr. Derek Bryant, chairman, says that 1984 saw a significant increase in business derived from new and existing clients in the UK and the U.S., reflecting past investment.

In the latter part of the year, the group also began to receive benefits from the increased premiums required by underwriters owing to the tight market conditions.

Mr. Bryant says that due to general market conditions, as well as an adverse loss ratio in this specific case, the group was unable to renew the main Darrah & Associates automobile facility in Lloyd's.

One of the group's U.S. subsidiaries has placed 50 per cent of the business in the American

domestic market, thus maintaining income at a reduced rate from this source.

"We still obtain a substantial part of our business portfolio from overseas, particularly the United States, and, therefore, our business remains subject to variations in exchange rates from which we have, of course, benefited during the past year," says Mr. Bryant.

At the AGM in April 1984 it was said the main objective was to broaden the group's business base to reduce dependence on any single facility, individual or business source.

As part of this policy, says Mr. Bryant, the group acquired I. R. Stock & Company during the year. The company, now called Bryant Stock & Company, is a reinsurer, broker, specialising in non-marine excess of loss and proportional treaty business emanating from Lloyds' and London insurance companies.

The purchase of 90 per cent of the company was made by issuing 288,500 10p shares to the vendors. The consideration would be valued at about £37,000 at the placing price of the shares.

I. R. Stock and its subsidiaries reported a turnover of £377,129 for the year to June 30 1983.

Mr. Bryant notes that the company made a useful contribution to the latest group results and the search for opportunities to expand, both internally and by acquisition, is continuing.

He says the company is prepared for uncertainties and ready to take advantage of the opportunities in the year ahead.

### NOTICE OF REDEMPTION To the Holders of

## Queensland Alumina Finance N.V.

8¼% Collateral Trust Bonds Due 1987

NOTICE IS HEREBY GIVEN that pursuant to the provisions of the Queensland Alumina Finance N.V. Collateral Trust Indenture dated as of April 1, 1972, U.S. \$2,500,000 principal amount of the above described Bonds have been selected for redemption on April 1, 1985, in lieu of a redemption for the purpose of the Sinking Fund, at the principal amount thereof, together with accrued interest to said date, as follows:

Outstanding Bonds of U.S. \$1,000 Each of Prefix "M" Bearing Serial Numbers Ending in the Following Two Digits:

Also Bonds of U.S. \$1,000 Each of Prefix "M" Bearing the Following Serial Numbers:

On April 1, 1985, the Bonds designated above will become due and payable in such coin or currency of the United States of America as at the time of payment shall be legal tender for public and private debts. Said Bonds will be paid, upon presentation and surrender thereof with all coupons appertaining thereto maturing after the redemption date, at the option of the holder either (a) at the corporate trust office of Morgan Guaranty Trust Company of New York, 30 West Broadway, New York, New York 10015, or (b) subject to applicable laws and regulations, at the main offices of Morgan Guaranty Trust Company of New York in Brussels, Frankfurt (Main), London or Paris or at the main offices of Bank Mess & Hope NV in Amsterdam or Banque Internationale à Luxembourg S.A. in Luxembourg. Payments at the office of any paying agent outside of the United States will be made by check drawn on, or transfer to a United States dollar account with, a bank in the Borough of Manhattan, City and State of New York. Any payment made by transfer to an account maintained by the payee with a bank in the United States may be subject to reporting to the United States Internal Revenue Service (IRS) and to backup withholding at a rate of 20% if payees not recognized as exempt recipients fail to provide the paying agent with an executed IRS Form W-9, certifying under penalties of perjury that the payee is not a United States person or an executed IRS Form W-9, certifying under penalties of perjury that the payee's taxpayer identification number (employer identification number or social security number, as appropriate). Those holders who are required to provide their correct taxpayer identification number on Internal Revenue Service Form W-9 and who fail to do so may also be subject to a penalty of \$50. Please therefore provide the appropriate certification when presenting your securities for payment.

Coupons due April 1, 1985 should be detached and collected in the usual manner. On and after April 1, 1985 interest shall cease to accrue on the Bonds herein designated for redemption.

Following the aforesaid redemption, \$8,000,000 principal amount of the Bonds will remain outstanding.

QUEENSLAND ALUMINA FINANCE N.V.  
By JOHN T. LADUC, Managing Director

Dated: February 26, 1985

### NOTICE

The following Bonds previously called for redemption have not as yet been presented for payment:

1658 2432 2635 3328 5689 7159 8399 12222 18563 18594 20161  
2208 2588 2802 3053 3685 5365 6394 11380 13658 18594 20161 20204  
2428 2501 2582 3289 3685 6394 12222 18432 18591 20159 20208



## PRELIMINARY RESULTS FOR 1984

# Royal Insurance

	Year 1984 (unaudited) £m	Year 1983 (audited) £m
<b>General Insurance:</b>		
Premiums Written .. .. .	2,268.4	1,910.1
Underwriting Balance .. .. .	-347.4	-209.6
Investment Income allocated to General Insurance operations ..	237.4	204.2
<b>General Insurance Result .. .</b>	<b>-110.0</b>	<b>-5.4</b>
Long-term Insurance Profit .. .	20.7	17.5
Investment Income attributable to Capital and Reserves .. .	87.2	75.1
Share of Associated Companies' Profits .. .	13.3	11.2
<b>Profit before Taxation .. .</b>	<b>11.2</b>	<b>98.4</b>
Less Taxation .. .	17.6	17.8
Minority Interests .. .	-0.4	0.4
<b>Net Profit/Loss .. .</b>	<b>-6.0</b>	<b>80.2</b>
Earnings per share - See Note 1 ..	2.5p (loss)	34.0p
Dividends for the year .. .	56.3	53.8
Pence per share - See Note 1 .. .	23.75p	22.8p
Transfer to/from Retained Profits ..	-62.3	26.4
<b>Capital and Reserves - See Note 2 ..</b>	<b>£1,829m</b>	<b>£1,652m</b>

Note 1 Earnings and dividends per share have been adjusted for the one for four scrip issue made in June 1984.  
Note 2 Capital and Reserves includes the Long-term Insurance Business Reserve of £245m for 1984 (1983: £225m).

Foreign currencies have been translated according to our normal practice at approximately the average rates of exchange ruling during the year. The principal rates were:-

	Year 1984	Year 1983
USA .. .	\$1.33	\$1.51
Canada .. .	\$1.73	\$1.87
Australia .. .	\$1.52	\$1.68
Netherlands .. .	Fls4.27	Fls4.33

The pre-tax result has been adversely affected by £7.0m due to changes in exchange rates; the underwriting balance being worsened by £29.6m, with investment income and Associated Companies benefiting by a net amount of £22.6m.

	Year 1984					Year 1983				
	Premiums Written £m	Under-Writing Balance £m	Allocated Investment Income £m	General Insurance Result £m	Inv. Inc. on Capital & Reserves £m	Pre-tax Profit £m	Premiums Written £m	Under-Writing Balance £m	Allocated Investment Income £m	General Insurance Result £m
Royal USA	946.7	-220.2	116.0	-104.2	27.9	-76.3	807.6	-139.9	92.8	-47.1
Royal UK	604.1	-42.0	57.2	15.2	17.2	32.4	533.1	-24.1	56.3	32.2
Royal Canada	233.2	-53.6	29.7	-23.9	7.5	-16.4	200.3	-20.6	28.1	7.5
Royal Australia	176.1	-3.7	14.0	10.3	6.6	16.9	113.4	-3.2	9.0	5.8
Royal Int	149.7	-4.8	8.8	4.0	5.2	11.9*	116.4	-7.1	7.9	0.8
Royal Nederland	71.9	-6.7	6.4	-0.3	4.2	3.9	67.6	-4.6	6.2	1.6
Royal Re	86.7	-16.4	5.3	-11.1	2.7	-8.4	71.7	-10.1	3.9	-6.2
	2268.4	-347.4	237.4	-110.0	71.3	-36.0	1,910.1	-209.6	204.2	-5.4
										62.2
										58.1

\* The pre-tax profit figures for Royal Int include the contribution from their Associated Companies of £2.7m in 1984 and £1.3m in 1983.

sawards being made by the courts. Premium income growth in local terms of 7.7% was largely accounted for by rate increases on commercial lines business.

The result in Australia was very satisfactory, despite the adverse impact in the final quarter of storm losses and bush fires in New South Wales. There was strong premium growth of 40% in local currency terms, being particularly marked in commercial lines.

The improvement shown by Royal Int continued in the final quarter to produce a better result for the year. Premium growth in local terms following the acquisition of a majority shareholding in the Spanish insurance company Velazquez SA was over 26% (13.6% excluding Velazquez SA).

Difficult market conditions and an increase in claims frequency in most classes affected the results for Royal Nederland. Premium income rose by 4.9% in local currency terms.

The result for Royal Re was unsatisfactory as a consequence of the marked worsening in the proportional treaty account and the impact of large losses on the facultative business. The non-proportional account achieved a modest general insurance profit.

### ROYAL LIFE INSURANCE

New single premiums written by Royal Life during 1984 increased by 11% to £93.5m but new annual premiums were somewhat lower at £50.6m. The fall in new annual premiums was expected as the 1983 figure included a substantial volume of business arising from the conversion of existing capital and interest repayment mortgages to endowment mortgages. As compared with 1982 new annual premiums increased by 90%. Self employed pension business increased significantly and the unit-linked business performed well.

The long-term insurance profit increased from £17.5m to £20.7m.

**REPORT AND ACCOUNTS FOR 1984**  
The Report and Accounts for 1984, which are being prepared, will be posted to shareholders on 15th April 1985 and delivered to the Registrar of Companies following the Annual General Meeting to be held on 9th May 1985.

Royal Insurance plc,  
Group Head Office,  
1 Cornhill, London EC3V 3QR.

## Resource Technology disappoints midterm

EVEN ALLOWING for the bias in favour of the second half and the short-term effects of reorganisation, profit of Resource Technology for the six months to October 31, 1984, was disappointing, says the chairman Mr. J. Stallard. He reports a profit down from a restated £247,000 to £277,000.

An extensive reorganisation is being implemented, involving the rationalisation of recent acquisitions, strengthening of management of certain operating subsidiaries, and action to take account of changes in market conditions.

### BOARD MEETINGS

TODAY			
Interim—AAH, Consolidated Gold Fields, Moran Tea, Finance—Candover Investments, Fleming-McIntosh Investment Trust, Inscon, Johnson's Palms, National Westminster Bank, Orlifone International, Providence Financial, Unilever.			
FUTURE DATES			
Bell (Arthur)	Mar 28	Mucklow (A. and J.)	Mar 14
Centex (S)	Mar 29	Thorpe (F. W.)	Mar 21
Chryse Hunt	Apr 2	Finelco	Mar 6
Ferry Pickering	Apr 10	Atlantic Computer Systems	Apr 16
Goodman Bros.	Apr 11	Boston Clerk	Mar 22
MTV	Mar 21	Bentley	Mar 13
Media Investments	Mar 28	Chemical-Restone	Mar 6
Microfilm Reprographics	Mar 11	Delta Group	Mar 25
		Enco Insurance	Mar 26
		Guest Keen and Netherfields	Mar 13
		Henderson Administration	Jun 5
		Homa Chem	Mar 26
		Lowie Howard-Spink Campbell	Mar 13
		Mortenson (Wm.) Supermarkets	Apr 13
		Petroleum	Mar 16
		Trinity International	Mar 14
		Yorkshire Chemicals	Mar 20

## MEDMINSTER PLC

### Activities of the Group:

Furniture hire to conferences, exhibitions, films, photographic studios, television and theatres. North Atlantic groupage, freight forwarding services worldwide and ships management.

### Interim Report

Unaudited results for the six months ended December 31st	1984	1983
Turnover	£4m	£1m
Profit before tax	241,000	179,000
Profit after tax	161,000	124,000
Earnings per share	8.85p	6.18p

The increased turnover of the furniture hire companies is most encouraging and the shipping and freight forwarding division is progressing satisfactorily.

The Interim Dividend has been increased to 19½% (17½% last year).

John Delaney, Chairman







London copper prices  
rise after Chile  
earthquake, Page 38

# SECTION III - INTERNATIONAL MARKETS

## FINANCIAL TIMES

Tuesday March 5 1985

NEW YORK STOCK EXCHANGE 30-31  
AMERICAN STOCK EXCHANGE 31-32  
U.S. OVER-THE-COUNTER 32, 40  
WORLD STOCK MARKETS 32  
LONDON STOCK EXCHANGE 32-35  
UNIT TRUSTS 35-37  
COMMODITIES 38, CURRENCIES 39  
INTERNATIONAL CAPITAL MARKETS 40

### WALL STREET

## Descent to lower altitudes

STOCK PRICES fell back on Wall Street yesterday from the record levels set last Friday and after a quiet start in the credit markets yields began to rise around lunchtime as prices sagged, writes Michael Morgan in New York.

With Fed funds holding steady around the opening 8 1/4% level, the absence of an expected addition of liquidity by the Federal Reserve through repurchase arrangements was seen as confirmation that the Fed was being less generous in the provision of reserves.

In the stock markets prices eased in early active trading and a later attempt at a rally proved short-lived.

By 3pm, the Dow Jones Industrial average was down 12.04 at 1287.32.

In the credit markets prices of Treasury coupon issues were initially steady to slightly higher but they later turned uniformly lower. The key long bond, the 1 1/4% rate of 2015, was quoted down 1/4% at 94 1/4% having been 1/4% lower at one stage.

At the short-end yields edged higher with results of the weekly auction of \$14bn of three and six-month bills scheduled for later in the day. Three-month bill rates were up three points at

8.70 per cent while six-month bills were two points ahead at 8.98 per cent. CD rates were mixed.

Municipal bonds were little changed as traders prepared preliminary price structures for the week's new offerings. Corporate bond prices were also little changed.

In the stock markets Phillips Petroleum put on \$1 1/4 to \$50 1/4 in heavy volume as the group unveiled an improved offer for its shareholders and Mr Carl Icahn confirmed he was terminating his tender offer.

Coastal Corporation, the petroleum marketing and refining company, added \$1 1/4 to \$32 1/4 as its \$60 a share bid for American Natural Resources began. Directors of ANR, the Detroit-based natural gas pipeline and production company, are due to announce their position on March 15. Earlier the chairman rejected the offer as "quite inadequate." None the less the price surged \$8 1/4 to \$30 1/4.

Texttron, the aerospace and electronics group, edged \$ 1/4 higher to \$42 1/4 as it announced plans to seek offers for its Bell Helicopter subsidiary as part of its plans to raise a total of \$1bn through divestitures to reduce the debt it incurred to buy Avco Corp.

The Detroit car makers were mixed in the wake of President Ronald Reagan's decision to end restraints on imports from Japan. Ford shed \$ 1/4 to \$33 1/4 while General Motors which wants to increase imports from its Japanese affiliates to sell under the Chevrolet name, added \$ 1/4 to \$17 1/4. Chrysler, which also wants to triple imports of Japanese-made models, fell \$ 1/4 to \$33 1/4.

CBS gave up the whole of the previous

session's \$3 advance to trade at \$85 1/4 in the wake of Turner Broadcasting's statement that it was not preparing a takeover bid. Turner, traded in the over-the-counter market, was unchanged at \$19 bid.

Hoover Universal, the plastics and steel products group, was a \$6 1/4 higher at \$35 following the near \$500m takeover bid from Johnson Controls. Johnson fell \$1 1/4 to trade at \$42 1/4.

Abbot Laboratories was \$ 1/2 ahead at \$49 1/2 after receiving the first government licence to introduce a test aimed at reducing the risk of Acquired Immune Deficiency Syndrome being spread by blood donors.

Among actively traded issues on the NYSE AT&T, celebrating its centenary as a corporate name, shed \$ 1/4 to \$21 1/4. Mobil dipped \$ 1/4 to \$29 1/4.

On the American Stock Exchange active issues included BAT Industries of the UK. Traded as American Depository Receipts, it rose \$ 1/4 to \$4 1/4. Wang Laboratories was \$ 1/4 higher at \$25 1/4 while TIE Communications shed \$ 1/4 to \$7 1/4.

### TOKYO

## Confident scaling of new peaks

GROWING hopes that Wall Street will surge ahead this week to new peaks stimulated buying interest in Tokyo yesterday to take share prices to yet another all-time high, writes Shigeo Nishiwaki of Jiji Press.

The Nikkei-Dow market average touched a record for the fifth consecutive trading day closing 69.33 higher at 12,509.01. Volume weakened to 429m shares from last Friday's 641m shares and advances outpaced declines 385 to 323, with 150 issues unchanged.

Inspired by the sustained strength on Wall Street last week, leading securities companies sought compact disc related issues in anticipation of further rises by quality stocks.

Sony climbed Y190 to Y5,020, recovering the Y5,000 level for the first time in 3 1/2 years. Matsushita hit Y1,000 at one stage, closing at Y1,690, up Y40. Matsushita was the eighth most active with 6,750m shares changing hands, while Sony's turnover reached 3.14m shares.

Other blue chips also gained ground on light purchases. Hitachi put on Y11 to Y890, Honda Motor Y70 to Y1,550 and Canon Y70 to Y1,470.

Some biotechnology-related issues remained in the spotlight. Asahi Chemical Industry, heading the active list with a volume of 33.29m shares, soared Y30 at one stage and ended Y10 higher at 880. Eisai Pharmaceutical climbed Y70 to Y1,180. Kikkoman scored the maximum Y100 to Y800 after news that the group and the Agriculture, Forestry and Fisheries Ministry had created a new cell fusion technique.

By contrast, Green Cross, last week's major gainer, dropped Y130 to Y2,930.

Elsewhere Sumitomo Metal Mining added Y40 to Y1,710 on renewed investor appraisal of its gold vein discovery. Tohoku Chemical, a contractor, gained Y13 to Y278 on the development of a new power generation system using the temperature difference of seawater.

The net gain on the Nikkei-Dow average of 314 points in the past five trading days, combined with the huge buying balance on margin trading, raised investor concern about tightened restrictions on margin transactions.

Bonds were lethargic due to the uncertain market outlook. Some securities companies bought back government issues they had dumped in the middle of last week when the yen fluctuated wildly against the U.S. dollar.

The yield on the 7.3 per cent government bond, due in December 1993, dipped to 8.870 per cent from last Saturday's 8.910 per cent. Financial institutions stood aside, pondering the fate of U.S. interest rates.

### HONG KONG

PROFIT-TAKING hit Hong Kong shares in moderate trading and left the Hang Seng Index down 1.69 to 1,399.36.

In the banking sector Bank of East Asia was up 7 cents to HK\$25.50, while Hongkong and Shanghai Bank rose 5 cents to HK\$38.80. Cheung Kong lost 10 cents to HK\$13.80. Swire Pacific shed 50 cents to HK\$23.30 and Wheelock Marten slipped 5 cents to finish at HK\$7.20.

Properties escaped the decline as the property index jumped 13.30 to 1,849.48. Brokers attributed the rise to investors' sentiment that the property market will improve moderately.

### SINGAPORE

HEIGHTENED expectations that Friday's budget for fiscal 1985-86 will include measures aimed at stimulating the economy boosted the Straits Times index up 9.15 at 850.35 in heavy trading. In banks DBS gained 15 cents to S\$6.30.

Industrials headed higher, although profit-taking in Singapore Press Holdings reduced it 10 cents to S\$6.50. Genting rose 10 cents to S\$5.80. Sime Darby put on 9 cents to S\$2.07.

Properties had a firmer tone with Selangor Properties up 7 cents at S\$2.25 and City Developments up 3 cents at S\$1.38 - but Singapore Land slipped 2 cents to S\$3.04.

### EUROPE

## Further range of records

A RECORD-BREAKING mood returned to the European bourses yesterday with new index peaks reached in a number of the centres while many individual shares elsewhere scored record highs.

Frankfurt put on an effervescent performance with a 10.9 surge in the Commerzbank index to an all-time high of 1,207.3, partly as a result of foreign investors returning in the hope of currency gains.

Internationally popular blue-chips displayed the best gains with Siemens DM 10.40 ahead at DM 563.80, Deutsche Bank DM 4.50 stronger at DM 423 and Bayer leading the chemicals sectors with a DM 3 rally to DM 213.50.

Isolated declines tempered the euphoria with Commerzbank DM 1.60 cheaper at DM 185.70, Schering down DM 1.50 to DM 472 and Munich Re down DM 5 to DM 1180.

Lufthansa added DM 2.50 to DM 195.00 while gains of DM 10 were recorded by Deutsche Babcock at DM 170 and Hochtief at DM 488.

Porsche provided the driving force in the quality car sector with its DM 14.50 jump to DM 1,340, a new all-time high. Daimler's rise was limited to 50 pf at DM 869.50. BMW fell DM 1.50 to DM 384.

Steels were broadly higher with Mannesmann DM 3.70 ahead and Thyssen up 80 pf to DM 103.10.

The rally in equities drew attention from the bond market and the Bundesbank sold a relatively small DM 5.1m in paper compared with Friday's DM 6.4m sales.

Total share and bond turnover on the bourse rose 0.8 per cent in February (compared with January) to DM 12.69bn. Share turnover reached DM 5.68bn, a rise of 0.9 per cent over January and the largest single monthly increase in a year. The most active shares were Siemens, BASF, Bayer, Deutsche Bank and Thyssen.

Brussels took its cue from New York's Friday record by storming ahead to a peak of its own with a 17.33 advance in the Stock Exchange index to 2,270.12.

Petrolium gained Bfr 10 to Bfr 1150 in heavy trading while Société Générale de Banque's proposed capital increase and unchanged dividend took the group Bfr 40 down to Bfr 3,425. Société Générale de Belgique, Belgium's largest holding company, rose Bfr 35 to Bfr 2,000, a new high.

One of the few easier issues was cement and concrete producer CBR, which fell Bfr 30 to Bfr 2,620 despite a dividend boost for last year.

Heavy Zurich trading, encouraged by a steady foreign exchange market and a more optimistic view of forthcoming corporate results, took the Swiss Bank Industrials index to a record high of 423.1, a gain of 5.4 points.

Metals and chemicals sector sub-indices also settled at records while a broad advance was made elsewhere.

Jacobs-Suchard gained SwFr 100 to SwFr 6,300 while Nestlé managed a SwFr 85 advance to SwFr 6,610. Sandoz's SwFr 25 rise returned it to a 12-month high of SwFr 8,100 while Landis & Gyr shed SwFr 10 to SwFr 1,960.

Foreign buying combined with local investor support to push Amsterdam higher with a 3.4 gain in the ANP-CBS index to 204.2.

Philips benefited from its China orders with a F1 1.50 rally to F1 63.20, a new peak for the year. Among other internationalists Unilever scored a F1 5.50 rise to F1 337 taking it near the top of its recent trading range. Royal Dutch firmed F1 1.90 to F1 202.80 and KLM gained F1 2.90 to F1 62, a 12-month high. Boskalis gained 20 cents to F1 16.20 while in banks ABN moved F1 2.50 ahead to F1 398.

Bonds encountered a measure of stability.

Milan opened the week sharply lower as Stockholm edged higher.

Institutional buyers emerged in an active Paris that took foods and technology issues higher. Madrid banks performed best in a firmer session.

LONDON

THE COLLAPSE of the miners' strike gave London stocks an early boost but the effects were eroded by a lack of investment response. It seems UK investors have decided to await the budget proposals later this month. The FT Ordinary index opened 8.1 higher but closed 4.9 up at 979.8.

In foreign exchange markets sterling came under pressure from a stronger dollar, although it maintained a firm trend against leading continental currencies, and talk revived of North Sea oil price concern - Brent crude oil prices were reported to be a shade better yesterday.

Fund-raising possibilities continued to

## End of strike makes little impression

A STEADY bullion price and a stronger rand lifted many Johannesburg gold shares. Among the strongest gains were Kloof with a R2 advance to R71.50 and Driefontein, 25 cents firmer at R9.85.

Diamonds and platinum followed the trend with De Beers up 13 cents to R9.23, while Rustenburg Platinum rose 25 cents to R15.75, but Impala eased 20 cents to R20.70.

Other minings, financials and industrials were little changed in very quiet trading.

### AUSTRALIA

OVERSEAS buyers were evident in Sydney as prices rose across the board in moderately active trading. The All Ordinaries index gained 5.8 to 796.1.

Diversified resource issues were in demand with Bell Resources up 10 cents to A\$5.30, BHP adding 6 cents to A\$5.64 and CSR up 1 cent to A\$2.63.

Among oil and gas issues, Santos firmed 10 cents to A\$5.50, Bridge Oil gained 3 cents to A\$2.20 and Woodside Petroleum put on 1 cent to 62 cents.

Banks were mixed with ANZ up 4 cents to A\$4.82 and National Australia up 2 cents to A\$3.57. Westpac slipped 5 cents to A\$3.48.

Leading miners found local and offshore support. Peako-Wallend gained 18 cents to A\$4.00, MIM added 7 cents to A\$2.67 and CRA advanced 6 cents to A\$5.82.

### SOUTH AFRICA

A STEADY bullion price and a stronger rand lifted many Johannesburg gold shares. Among the strongest gains were Kloof with a R2 advance to R71.50 and Driefontein, 25 cents firmer at R9.85.

Diamonds and platinum followed the trend with De Beers up 13 cents to R9.23, while Rustenburg Platinum rose 25 cents to R15.75, but Impala eased 20 cents to R20.70.

Other minings, financials and industrials were little changed in very quiet trading.

### CANADA

A NARROW trading range was maintained at Toronto after a poor opening, led by weaknesses among golds and metals. Campbell Red Lake fell C\$ 1/4 to C\$24 1/4 and Campbell Resources fell C\$ 1/4 to C\$25 1/4. Alcan Aluminium slipped C\$ 1/4 to C\$38 1/4. Dome Petroleum rose 3 cents to C\$2.95.

In Montreal industrials and utilities were weak while banks firmed.

KEY MARKET MONITORS				
<b>STOCK MARKET INDICES</b>				
NEW YORK	Mar 4	Previous	Year ago	
DJ Industrials	1,287.32	1,299.38	1,171.49	
DJ Transport	829.78	835.30	820.58	
DJ Utilities	147.58	148.80	129.38	
S&P Composite	182.70	183.23	159.24	
LONDON				
FT Ord	979.8	975.0	832.6	
FT-SE 100	1,265.7	1,250.8	1,050.7	
FT-A All-share	610.53	605.82	498.91	
FT-A 500	667.02	661.40	538.42	
FT Gold mines	477.8	478.5	704.7	
FT-A Long gilt	10.82	10.86	10.11	
TOKYO				
Nikkei-Dow	12,509.01	12,412.14	9,948.48	
Tokyo SE	990.39	981.91	773.37	
AUSTRALIA				
AS Ord	796.1	790.3	728.3	
Metals & Mins.	480.5	475.0	499.3	
AUSTRIA				
Credit Aktien	73.38	74.59	55.23	
BELGIUM				
Belgian SE	2,270.12	2,252.79		
CANADA				
Toronto				
Metals & Mins	2,101.2	2,108.7	2,234.0	
Composite	2,630.6	2,625.2	2,425.0	
Montreal				
Portfolio	131.80	131.50	119.05	
DENMARK				
Copenhagen SE	177.38	176.97	193.5	
FRANCE				
CAC Gen	204.6	203.0	183.4	
Ind. Tendance	110.5	109.8	87.11	
WEST GERMANY				
FAZ-Aktien	418.40	411.42	351.74	
Commerzbank	1,807.3	1,196.4	1,034.4	
HONG KONG				
Hang Seng	1,399.36	1,401.15	1,079.63	
ITALY				
Banca Com.	279.72	276.85	221.97	
NETHERLANDS				
ANP-CBS Gen	204.2	200.8	161.3	
ANP-CBS Ind	161.4	159.2	132.0	
NORWAY				
Oslo SE	321.66	319.18	250.63	
SINGAPORE				
Straits Times	850.35	841.2	1,021.6	
SOUTH AFRICA				
Golds	916.8	898.8	1,016.4	
Industrials	847.6	855.7	1,003.7	
SPAIN				
Madrid SE	113.3	112.7	85.03	
SWEDEN				
J & P	1,443.39	1,434.14	1,520.74	
SWITZERLAND				
Swiss Bank Ind	423.1	417.7	367.9	
WORLD				
Capital Int'l	197.8	197.0	181.9	
<b>GOLD (per ounce)</b>				
	Mar 4	Prev	Year ago	
London	\$288.50	\$287.75	\$257.75	
Zurich	\$288.75	\$287.50	\$257.50	
Paris (fixing)	\$288.95	\$287.65	\$257.65	
Luxembourg	\$289.25	\$288.25	\$258.25	
New York (Apr)	\$291.90	\$291.60	\$259.60	
<b>CURRENCIES</b>				
	U.S. DOLLAR	STERLING	Previous	
(London)	Mar 4	Mar 4	Previous	
DM	3.378	1.068	1.0725	
Yen	269.95	260.3	277.0	280.0
FF	10.315	10.245	11.025	11.025
SwFr	2.893	2.8575	3.085	3.085
Quilder	n/a	3.78	4.08	4.0825
Lira	n/a	2,082.0	2,235.0	2,243.5
Bfr	n/a	67.55	72.4	72.55
CS	n/a	1.39125	1.49	1.49
<b>INTEREST RATES</b>				
	Mar 4	Prev		
3-month U.S.	9%	9%		
6-month U.S.	10%	10%		
U.S. Fed Funds	8 1/4%	8 1/4%		
U.S. 3-month CDs	9.30%	9.15		
U.S. 3-month T-bills	8.69%	8.63		
<b>U.S. BONDS</b>				
	Price	Yield	Price	Yield
10 1987	98 1/4	10.73	98 1/4	10.68
11 1992	98	11.835	98 1/4	11.50
11 1995	96 1/4	11.91	96 1/4	11.83
11 2015	94 1/4	11.90	95 1/4	11.80
<b>FINANCIAL FUTURES</b>				
	Latest	High	Low	Prev
<b>CHICAGO</b>				
U.S. Treasury Bonds (CBT)				
9% 32nds of 100%	68-23	68-18	68-19	68-09
U.S. Treasury Bills (BIM)				
\$1m points of 100%	91.31	91.39	91.27	91.31
March				
Certificates of Deposit (BIM)				
\$1m points of 100%	90.55	90.70	90.52	90.54
March				
<b>LONDON</b>				
Three-month Eurodollar				
\$1m points of 100%	90.30	90.32	90.25	90.33
March				
20-year National Gilt				
£50,000 32nds of 100%	104-05	104-04	104-00	103-24
March				
<b>COMMODITIES</b>				
	Mar 4	Prev		
(London)				
Silver (spot fixing)	\$26.35p	\$26.30p		
Copper (cash)	\$1.276.50	\$1.264.50		
Coffee (March)	\$2,391.00	\$2,384.50		
Oil (spot Arabian light)	\$27.775	\$27.725		

### ONLY THE PUREST GOLD HAS IMMORTAL VALUE THROUGHOUT THE WORLD.

Over 3000 years ago, the ancient Egyptians immortalized their King Tutankhamen in the purest of gold. Even then they knew that pure gold would have everlasting value. And that is still true today. Whoever invests in gold should also choose its purest form.

Canada's Maple Leaf, for example, is struck with the purest gold that you can buy today. It contains no base metals and is the only coin available at banks with a purity of 999.9/1000 fine gold - guaranteed by the Canadian government.

What does that mean for you? In contrast to ordinary gold coins which are 22-carat gold, you get the purity of 24-carat gold for your money with Maple Leaf. And, a high degree of assurance that you can trade it easily anytime, anywhere in the world.

Therefore, prudent investors can follow the example of the ancient Egyptians. Whoever wants to acquire longterm value should choose gold of the highest purity. And today, that is the 999.9/1000 of the Canadian Maple Leaf - a purity for which there is no substitute.

Royal Canadian Mint Monnaie royale canadienne

### MAPLE LEAF. THERE IS NO SUBSTITUTE FOR PURITY.



**Prices at 3pm, March 4**[illegible]

**Continued on Page 31**



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1950	105	124	134	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137
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## NEW YORK PRICES

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**WORLD VALUE OF THE DOLLAR**  
every Friday in the Financial Times

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# DAIWA SECURITIES

## BRITISH FUNDS

"Shorts" (Lives up to Five Years)

High	Low	Stock	Price	Div	Yield
100	100	100	100	100	100
101	101	101	101	101	101
102	102	102	102	102	102
103	103	103	103	103	103
104	104	104	104	104	104
105	105	105	105	105	105
106	106	106	106	106	106
107	107	107	107	107	107
108	108	108	108	108	108
109	109	109	109	109	109
110	110	110	110	110	110
111	111	111	111	111	111
112	112	112	112	112	112
113	113	113	113	113	113
114	114	114	114	114	114
115	115	115	115	115	115
116	116	116	116	116	116
117	117	117	117	117	117
118	118	118	118	118	118
119	119	119	119	119	119
120	120	120	120	120	120

## Five to Fifteen Years

High	Low	Stock	Price	Div	Yield
121	121	121	121	121	121
122	122	122	122	122	122
123	123	123	123	123	123
124	124	124	124	124	124
125	125	125	125	125	125
126	126	126	126	126	126
127	127	127	127	127	127
128	128	128	128	128	128
129	129	129	129	129	129
130	130	130	130	130	130
131	131	131	131	131	131
132	132	132	132	132	132
133	133	133	133	133	133
134	134	134	134	134	134
135	135	135	135	135	135
136	136	136	136	136	136
137	137	137	137	137	137
138	138	138	138	138	138
139	139	139	139	139	139
140	140	140	140	140	140

## Over Fifteen Years

High	Low	Stock	Price	Div	Yield
141	141	141	141	141	141
142	142	142	142	142	142
143	143	143	143	143	143
144	144	144	144	144	144
145	145	145	145	145	145
146	146	146	146	146	146
147	147	147	147	147	147
148	148	148	148	148	148
149	149	149	149	149	149
150	150	150	150	150	150
151	151	151	151	151	151
152	152	152	152	152	152
153	153	153	153	153	153
154	154	154	154	154	154
155	155	155	155	155	155
156	156	156	156	156	156
157	157	157	157	157	157
158	158	158	158	158	158
159	159	159	159	159	159
160	160	160	160	160	160

## Undated

High	Low	Stock	Price	Div	Yield
161	161	161	161	161	161
162	162	162	162	162	162
163	163	163	163	163	163
164	164	164	164	164	164
165	165	165	165	165	165
166	166	166	166	166	166
167	167	167	167	167	167
168	168	168	168	168	168
169	169	169	169	169	169
170	170	170	170	170	170
171	171	171	171	171	171
172	172	172	172	172	172
173	173	173	173	173	173
174	174	174	174	174	174
175	175	175	175	175	175
176	176	176	176	176	176
177	177	177	177	177	177
178	178	178	178	178	178
179	179	179	179	179	179
180	180	180	180	180	180

## INT. BANKS AND O'SEAS GOVT. STERLING ISSUES

High	Low	Stock	Price	Div	Yield
181	181	181	181	181	181
182	182	182	182	182	182
183	183	183	183	183	183
184	184	184	184	184	184
185	185	185	185	185	185
186	186	186	186	186	186
187	187	187	187	187	187
188	188	188	188	188	188
189	189	189	189	189	189
190	190	190	190	190	190
191	191	191	191	191	191
192	192	192	192	192	192
193	193	193	193	193	193
194	194	194	194	194	194
195	195	195	195	195	195
196	196	196	196	196	196
197	197	197	197	197	197
198	198	198	198	198	198
199	199	199	199	199	199
200	200	200	200	200	200

## CORPORATION LOANS

High	Low	Stock	Price	Div	Yield
201	201	201	201	201	201
202	202	202	202	202	202
203	203	203	203	203	203
204	204	204	204	204	204
205	205	205	205	205	205
206	206	206	206	206	206
207	207	207	207	207	207
208	208	208	208	208	208
209	209	209	209	209	209
210	210	210	210	210	210
211	211	211	211	211	211
212	212	212	212	212	212
213	213	213	213	213	213
214	214	214	214	214	214
215	215	215	215	215	215
216	216	216	216	216	216
217	217	217	217	217	217
218	218	218	218	218	218
219	219	219	219	219	219
220	220	220	220	220	220

## COMMONWEALTH & AFRICAN LOANS

High	Low	Stock	Price	Div	Yield
221	221	221	221	221	221
222	222	222	222	222	222
223	223	223	223	223	223
224	224	224	224	224	224
225	225	225	225	225	225
226	226	226	226	226	226
227	227	227	227	227	227
228	228	228	228	228	228
229	229	229	229	229	229
230	230	230	230	230	230
231	231	231	231	231	231
232	232	232	232	232	232
233	233	233	233	233	233
234	234	234	234	234	234
235	235	235	235	235	235
236	236	236	236	236	236
237	237	237	237	237	237
238	238	238	238	238	238
239	239	239	239	239	239
240	240	240	240	240	240

## LOANS

High	Low	Stock	Price	Div	Yield
241	241	241	241	241	241
242	242	242	242	242	242
243	243	243	243	243	243
244	244	244	244	244	244
245	245	245	245	245	245
246	246	246	246	246	246
247	247	247	247	247	247
248	248	248	248	248	248
249	249	249	249	249	249
250	250	250	250	250	250
251	251	251	251	251	251
252	252	252	252	252	252
253	253	253	253	253	253
254	254	254	254	254	254
255	255	255	255	255	255
256	256	256	256	256	256
257	257	257	257	257	257
258	258	258	258	258	258
259	259	259	259	259	259
260	260	260	260	260	260

## Public Board and Ind.

High	Low	Stock	Price	Div	Yield
261	261	261	261	261	261
262	262	262	262	262	262
263	263	263	263	263	263
264	264	264	264	264	264
265	265	265	265	265	265
266	266	266	266	266	266
267	267	267	267	267	267
268	268	268	268	268	268
269	269	269	269	269	269
270	270	270	270	270	270
271	271	271	271	271	271
272	272	272	272	272	272
273	273	273	273	273	273
274	274	274	274	274	274
275	275	275	275	275	275
276	276	276	276	276	276
277	277	277	277	277	277
278	278	278	278	278	278
279	279	279	279	279	279
280	280	280	280	280	280

## Financial

High	Low	Stock	Price	Div	Yield
281	281	281	281	281	281
282	282	282	282	282	282
283	283	283	283	283	283
284	284	284	284	284	284
285	285	285	285	285	285
286	286	286	286	286	286
287	287	287	287	287	287
288	288	288	288	288	288
289	289	289	289	289	289
290	290	290	290	290	290
291	291	291	291	291	291
292	292	292	292	292	292
293	293	293	293	293	293
294	294	294	294	294	294
295	295	295	295	295	295
296	296	296	296	296	296
297	297	297	297	297	297
298	298	298	298	298	298
299	299	299	299	299	299
300	300	300	300	300	300

## AMERICANS

High	Low	Stock	Price	Div	Yield
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INDUSTRIALS Tuesday March 5 1985

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## CURRENCIES, MONEY AND CAPITAL MARKETS

## FOREIGN EXCHANGES

## Dollar firm, pound falters

The dollar held on to early gains and finished quiet, but firm after an uneventful day on the European foreign exchange. The opening of New York failed to inject much life into the market as dealers remained convinced the underlying strength of the U.S. currency is intact, but there is also a strong danger of central bank intervention. There were no new factors and no sign of intervention by the German Bundesbank or other European central banks, but amid the general mood of apprehension the market refrained from any provocative move, although after the London close, New York took the dollar up beyond its highs during European trading.

In London the dollar closed at DM 3.2760 compared with DM 3.2650, and FF 10.3150 against FF 10.2450, and Sfr 2.8930 compared with Sfr 2.8850, but eased to Y229.95 from Y230.30 against the strong yen.

On Bank of England figures the dollar index rose to 154.4 from 154.3. February average 1.5933. Exchange rate index

rose 0.1 to 70.9, after opening at the day's peak of 71.6, but falling back to 71.0 at 10.00 pm, and touching a low of 70.7 at 10.00 pm.

Sterling failed to consolidate an early rise won as a result of the end to the miners' strike. The pound opened at \$1.0860, but fell quite sharply by mid-morning, and continued to weaken in the afternoon, to close only just above the day's low at \$1.0850, a fall of 40 points from Friday's close. Despite an end to the pit dispute, concern continues about world oil prices, while British demand for oil will be cut back as more coal becomes available to the power stations. After a firm start, sterling closed unchanged at DM 3.60; FF 11.0250; Sfr 3.0850; and fell to Y277 from Y280.

D-MARK. Trading range against dollar in 1984-5 is 3.4510 to 3.5535. February average 3.4808. Exchange rate index 118.3 against 123.1 six months ago.

The D-mark weakened against the dollar in subdued Frankfurt trading, with the market still quoting wide spreads and remaining wary of central bank intervention. In spite of the dollar's overall strength it finished more than 1 pence below the day's peak as dealers moved to square positions before the close. Speculative demands pushed the U.S. currency to a high of DM

3.780 in the afternoon, before it closed at DM 3.660 compared with DM 3.550 on Friday. The Bundesbank was not seen in the open market and also did not intervene at a fairly short Frankfurt fixing session, when the dollar rose to DM 3.730 from DM 3.635, after opening at DM 3.640. Sterling was little changed at the Frankfurt close at DM 3.5975 against DM 3.6005. The D-mark improved slightly in terms of the Swiss franc, but lost ground to the strong yen.

## STERLING EXCHANGE RATE INDEX

(Bank of England)	March 4	Previous
8.30 am	71.6	70.9
9.00 am	71.5	71.0
9.30 am	71.0	70.9
11.00 am	71.0	70.9
Noon	70.9	70.7
1.00 pm	70.7	70.8
2.00 pm	70.9	70.7
3.00 pm	70.9	70.8
4.00 pm	70.9	70.8

\$ in New York

March 4	Prev. close
2 Spot \$1,085.14872	\$1,079.1078
1 month \$1,085.14872	\$1,079.1078
3 months \$1,085.14872	\$1,079.1078
6 months \$1,085.14872	\$1,079.1078
12 months \$1,085.14872	\$1,079.1078

Forward premiums and discounts apply to the U.S. dollar.

## Quiet trading

An end to the year-old miners' strike and the dollar's continued strength were the principal factors affecting trading in the London International Financial Futures Exchange yesterday. Trading volume in the gilt contract fell dramatically, and after a higher opening, values drifted in this trading. A small rally towards the close lifted prices from the day's lows.

There was greater activity in the Euro-dollar sector as values recovered from previously over-sold positions. The dollar's firmer trend helped the market as traders, attached to a growing importance to the dollar's strength. In the short term

a strong dollar reduces the risk of higher cash prices, thus providing a bullish underpin for the futures market. However, the need to finance the U.S. Federal budget deficit through capital inflows may ultimately prove a bearish factor according to some market sources.

Three-month sterling deposits benefited from a small decline in UK cash rates with sentiment helped to some extent by slightly better than expected UK reserves figures. The FTSE contract tended to mirror sterling's performance, opening firmer but failing to hold initial gains.

## LONDON

THREE-MONTH EURO-DOLLAR \$1m points of 100%

March	Close	High	Low	Prev
March	90.25	90.32	90.25	90.25
Sept	90.25	90.32	90.25	90.25
Dec	90.25	90.32	90.25	90.25
March	90.25	90.32	90.25	90.25

ESTIMATED VOLUME 15,000 (15,700)

## THREE-MONTH STERLING £500,000

March	Close	High	Low	Prev
March	90.25	90.32	90.25	90.25
Sept	90.25	90.32	90.25	90.25
Dec	90.25	90.32	90.25	90.25
March	90.25	90.32	90.25	90.25

ESTIMATED VOLUME 15,000 (15,700)

## CHICAGO

U.S. TREASURY BONDS (CBT) \$1m points of 100%

March	Close	High	Low	Prev
March	90.25	90.32	90.25	90.25
Sept	90.25	90.32	90.25	90.25
Dec	90.25	90.32	90.25	90.25
March	90.25	90.32	90.25	90.25

ESTIMATED VOLUME 15,000 (15,700)

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## BUSINESS FILE

TODAY'S KEY COMPANY RATE

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prices

## OTHER CURRENCIES

Mar. 4	1.	2.	3.	4.	5.	6.
Argentina Peso	\$28.40-355.95		269.52-270.77		Austria	35.50-35.60
Australia Dollar	1.0815-1.1315		1.1125-1.1175		Belgium	10.67-10.72
British Columbia	4.50-5.23		4.93-5.25		France	10.96-11.00
Finland Markka	7.4740-7.4280		6.9580-6.9580		Germany	10.96-11.00
French C.F. Franc	16.00-16.05		16.00-16.05		Italy	82.25-82.85
Hong Kong Dollar	5.3560-5.3560		7.0000-7.0040		Japan	82.25-82.85
Iran Rial	108.00		85.50		Netherlands	4.08-4.13
Israel Sheqel	0.2540-0.2540		0.2070-0.2070		Norway	10.90-10.90
Luxembourg FF	72.25-72.45		67.90-67.90		Spain	1.05-1.05
Malaya Ringgit	1.7500-1.7500		1.7500-1.7500		Sweden	1.01-1.01
New Zealand D.	0.5650-0.4650		2.2855-2.2855		Switzerland	1.05-1.05
South Africa Rand	3.6850-3.6850		5.6030-5.6030		United States	10.91-10.94
U.S. Dollar	1.0000-1.0000		1.0000-1.0000		Yugoslavia	265.00-265.00
U.K. Pounds	3.2105-3.2105		0.4745-0.4745			
U.A.E. Dirham	2.8848-5.8848		6.8780-6.8780			

\* Selling rate.



